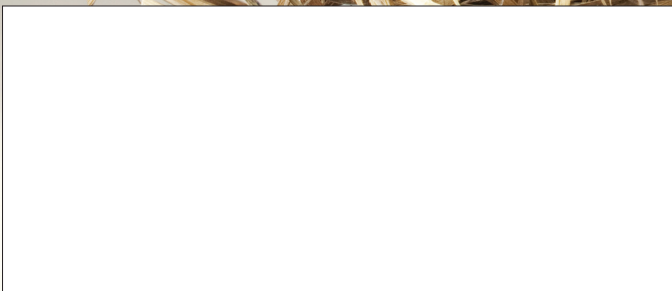


the taxpayer

FALL 2011



**The Time for Pension
Reform is NOW** P26



publications mail agreement 40063310

Taxpayer.com

From the President



Troy Lanigan
tlanigan@taxpayer.com

The Time for Pension Reform is NOW

In 1921 for every one Canadian over the age of 65, there were 20 Canadians under the age of 65. By the turn of the century, that ratio was reduced to one in eight. In 2021 it is expected to be one in five.

Demographic shifts will force adjustment to labour markets and public finances. And while technological change will address some of this pressure; public policy will also have to change.

The CTF invests considerable effort in pressing federal and provincial governments to balance their budgets and pay down debt; but those amounts pale in comparison to the unfunded liabilities looming in public pensions and health care. To be sure, little is changing in the practice of throwing more tax dollars at government rationing of health care. But, encouragingly, pension reform is gaining ground.

Details of the federal government's proposed Pooled Registered Pension Plan are expected to be released soon. As presented in this issue's cover story starting on page 26, we believe the proposal has tremendous opportunity as a flexible, secure, retirement savings account for all Canadians. Moreover, it provides a vehicle to put the lid on billions in unfunded public sector pension liabilities by transferring MPs and *new* government employees into the plan as its first entrants.

If the Harper government is prepared to

lead by example and remain firm in its resolve to reform, the pooled pension plan would undoubtedly be its most significant taxpayer-friendly achievement.



We are pleased to announce the appointment of Jordan Bateman as our new director and spokesman in British Columbia. Jordan's appointment marks a CTF first.

As a city councillor in Langley for the past six years, this is the first time an elected official has resigned their post to come work for the CTF! Previous to his time on council, Jordan worked in journalism. He and his wife Jennifer are also licensed wedding chaplains (someone on staff that can conduct weddings, another CTF first I'm certain!). They have three children and live in the Lower Mainland.



In this space one year ago I announced the launch of a full-time presence in Atlantic Canada – the CTF's first expansion in eight years.

The feature on page 9 provides a report on our activities and a taste of what's to come. It is an understatement to say that director Kevin Lacey has done an outstanding job in making an immediate and forceful impact in this important part of the country. To our donors across Canada that have made this initiative possible: THANK-YOU! ♦

“The CTF invests considerable effort in pressing governments to balance their budgets and pay down debt; but those amounts pale in comparison to the unfunded liabilities looming in public pensions and health care.”

The Canadian Taxpayers Federation is a federally incorporated not-for-profit and non-partisan organization dedicated to lower taxes, less waste and accountable government. Founded in 1990, the Federation is independent of all partisan or institutional affiliations and is entirely funded by free-will, non-tax receiptable contributions. All material is copyrighted. Permission to reprint can be obtained by e-mailing the editor: shennig@taxpayer.com. Printed in Canada.

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Fall 2011



The Cover:



The time for pension reform is **NOW**

Pension reform is expected to top the government's agenda in the coming year. Proposed changes have the potential to create lasting security for both pensioners and taxpayers.

Advocacy & Opinion:



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Under the direction of Kevin Lacey, the CTF has had an immediate and forceful impact in its first year.

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The Taxpayer magazine is the official publication of the Canadian Taxpayers Federation and is produced four times a year. For more information contact:

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Letters to the editor



I am impressed with your Summer 2011 cover story which lays out with its Top 20 list an excellent plan forward for the Harper government.

There is no doubt the CTF is the most active and effective organization in Canada when it comes to holding governments accountable for their election commitments.

Thank-you for the splendid effort and keep up the good work.

*Bill Turner
Thunder Bay, Ontario*

We were pleased to receive information on the subject of bloated MP pensions. We have sent letters to our elected officials.

As your organization appears to be the only one addressing the growing debt and mismanagement of government spending, I am sending a donation.

Please keep up the pressure on these important issues.

*Frank Aikins
Penticton, BC*

The simmering pension pot

More work needs to be done to address the unfunded liabilities related to the

defined-benefit pension plans of politicians and especially public sector employees. For example, here in Nova Scotia last year our NDP government saw fit to rob the taxpayer of over half-a-billion tax dollars to top up the provincial government employees pension plan. It's expected that a similar amount will be going into the teachers' plan. These are huge amounts and further accelerate accumulated deficits at the federal and provincial levels.

*Michael Lynch
Antigonish, NS*

Tough on crime and tough on taxpayers

The very conservative state of Texas has in recent years repealed laws which do exactly what the Harper government's omnibus crime bill intends. Why has a "tough-on-crime" state done this? Evidence showed that crime was not reduced and costs to the taxpayer skyrocketed.

In the six years since Texas has repealed mandatory minimum sentences, improved community supervision and funded drug treatment, public safety has increased and costs have been reduced.

Under the Harper govern-

ment federal spending on corrections has gone from \$1.6 billion in 2005-06 to \$3 billion in 2010-11 – an increase of 86%. That number is expected to double as a result of the omnibus crime bill.

Republican politicians are cautioning Canada against implementing the failed policies and laws that Texas has now repealed. Conservative organizations which seek to prevent crime and protect taxpayers are dedicated to new approaches on criminal justice reform in the USA. Importantly, these approaches are working.

*Mike Abraham
Ottawa, Ontario*

Inflation: a stealth tax

I estimate that an hour of my labour in the same job – after taxes – buys half of the goods it used to in 1970. This means that our standard of living is half what it was then. Inflation is the culprit, government is the cause. Government insists on spending more than is earned and so prints more and more money to fund the debt. The more you have of something the less it is worth and currency is no exception.

A proper definition of inflation is the devaluation of the purchasing power of the currency. Inflation is a stealth tax that robs the frugal and savers and rewards the profligate and spend-thrift.

*Tony Brogan
Victoria, BC*

Letters-to-the-editor

Letters may be edited for length, content and clarity.

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e-mail: letters@taxpayer.com

Lobbing a cost cutting grenade

Former Canadian Army chief, Major General Andrew Leslie took his retirement this past summer, but not before lobbing a cost-cutting grenade over the wall of National Defence headquarters in Ottawa.

The bombshell was a 97-page report calling on the government to slash the headquarters budget by up to \$3 billion and transfer thousands of staff from the Ottawa ivory tower back to the front lines.

Gen. Leslie, grandson of Vimy war hero Gen. Andrew McNaughton, served in Yugoslavia and Afghanistan, before becoming army commander in 2006. His report says headquarters added 3,385 civilian employees, 756 regular-force soldiers and 845 reserve soldiers, at the same time that the Royal Canadian Navy was shedding 1,119 sailors.

McNaughton wants the headquarters budget for consultants slashed 30%. He also points out potential for big cuts in the defence department's \$150 million travel budget and \$40 million public affairs department with 575 staff. Defence brass abandoned plans to cut the number of generals to 70 and the number of colonels to 230, boosting their own ranks to 110 generals and 350 colonels.

Still, according to Gen. Leslie, it's not easy to figure out who's in charge down at headquarters. "It is currently impossible for a casual observer to discern how (defence HQ) is governed," the General writes in his report, "which account-

Lawyered-up, criminal immigrants using tax dollars to fight deportation

abilities reside where, how critical high-level decisions are taken."

With files from *Canadian Taxpayers Federation*

Canada Post caught in web

When Nova Scotia resident Kevin Keating stopped receiving mail, he was initially concerned someone was stealing it.

He made calls to the local post office depot for information, but no one responded. Finally, after eight days without delivery he got a letter with a note scribbled on the back: "Spider Webs" plus the date.

Since he rarely uses the front door, Keating never noticed a spider had spun a web between the hand rails on his front porch. Yes, this was the reason behind his delivery stoppage.

Keating knocked down the web and mail service resumed.

With files from *CBC News*

Bureaucrats rake in the dough

A report released by the Frontier Centre for Public Policy (FCPP) shows that over the last ten years salaries for government administrators rose at nearly double the rate of those working in the private sector.



The study focused on the salary of administrators working for federal and provincial governments and the 20 private industry divisions utilized by the Statistics Canada.

Using Statistics Canada data, FCPP calculated between 1998 and 2009, salaries for federal bureaucrats rose 59% followed closely by a 55% increase for provincial bureaucrats. The salaries for private sector administrators increased just 30% over the same period.

Administrators in the finance and insurance sector which have similar job requirements as bureaucrats had a 33% increase over the period.

The two best areas in the private sector were real estate/rental leasing and mining quarrying, oil and gas extraction which received increases of 46%.

With files from the *National Post* /
Frontier Centre for Public Policy

Defense buys planes

With the uproar over the Department of National Defence's purchase of the F-35 fighter jets, it appears DND has come up with a more cost effective program.

According to an Access to Information request by QMI Agency, last year DND spent nearly \$50,000 on a fleet of a 158,000 jets.

They were 23.5 cm paper replicas of CF-18 jets that were handed out to children at public events.

They were purchased via the department's \$200,000 promotional items budget.

Critics say the money spent on paper planes

Spider catches
Canada Post in its
web.

for kids, should have gone to purchase better equipment for real soldiers putting their lives on the line.

With files from the *Ottawa Sun*

Rise and fall of the American Empire

Here are few facts on the current financial mess in the United States:

- U.S. tax revenue: \$2,170,000,000,000
- Federal budget: \$3,820,000,000,000
- New debt: \$1,650,000,000,000
- National debt: \$14,271,000,000,000
- Recent (April) budget cut:
\$38,500,000,000

Now, let's remove some of the zeroes and pretend this is a household budget:

- Annual family income: \$21,700
- Money the family spent: \$38,200
- New debt on the credit card: \$16,500
- Outstanding balance on the credit card:
\$142,710

- Budget cuts: \$385

With files from *Small-deadanimals.com*

Rogue bilingualism

A judge has ordered the Yukon territorial government to spend \$15 million building a new high school for Ecole Emilie-Tremblay (ETT) – the Territory's sole french-only school.

The new high school would have only 41 students and there would be a separate classroom for each class,



as well as an arts studio and radio station. The judge demanded the expansion be completed in two years.

The government built Ecole Emilie-Tremblay in 1996 at a cost of \$6.2 million. At the same time, it set up a school board – Commission Scolaire Francophone du Yukon (CSFY) to manage the school. It was the French school board that took the Yukon government to court. There are currently 184 students attending the K-12 school.

The Yukon government is appealing the ruling arguing the Yukon Supreme Court Justice was biased in his ruling because he once served as president of an Alberta-based Francophone school.

The government even asked the judge to excuse himself from the case after he laughed at some government witnesses and joked with the school board's lawyers.

The government also argued the ruling was forcing it to provide higher levels of school funding to French students than to its significantly larger aboriginal populations.

With files from the *National Post*

Government owned Starbucks

The City of St Albert in Alberta has divert-

ed \$280,000 in revenues to build a Starbucks at Servus Credit Union Place – a government-owned recreation centre.

Other businesses renting spaces in the recreation centre are up in arms. They rented spots in good faith never believing they would be competing with the government for business.

A local Booster Juice store in the centre says he expects to lose 20% of his business as some Starbucks products compete directly with lines offered by his store. The owner estimates the city's move devalued his store by \$300,000.

He added when he signed the lease he calculated what would happen if a Starbucks opened in the centre. But he did not expect that would happen since you need \$5 million in assets to purchase a Starbucks franchise.

What is particularly annoying is his tax dollars are now being used by the city to compete against him.

With files from the *St Albert Gazette*

Green energy wastes green

In September, the British government agreed to pay a Norwegian-based wind mill farm \$2 million *not* to produce energy.

In fact, the government paid the company ten times the amount they would have earned had their windmills been in operation.

The Norwegian company – Fred Olsen Renewables (FOR) – owns 60 wind-



Government regulations drive charities out of business.

mills along the Scottish/England border. The National Grid which handles England's electrical service asked for windmills to be shut down because there was a potential overload of the system. Wind energy is extremely unpredictable and can result in energy spikes that can severely damage the electrical network.

When it comes to closing down windmills, the National Grid uses an auction process asking companies to put in bids for how much they would charge to shut down a windmill.

FOR put in a bid of \$1,600 per megawatt hour, ten times the rate it receives for producing electricity.

The bid was accepted.

With files from *The Telegraph*

Immigrant abuse of legal aid

Last year, the Ontario Legal Aid Society (OLAS) spent \$18.5 million providing legal aid to immigrants trying to avoid deportation and apply for refugee status.

This included helping finance Jamaican Walford Uriah Steer's fight to avoid deportation. The 39 year-old Steer has had 76 convictions in Canada and was recently declared a "most wanted criminal."

According to a spokesperson for OLAS, in 2010-11 the agency took on 12,450 immigration cases of which only 7,934 were successfully resolved. It is not uncommon for these cases to drag on for years.

With files from
the *Toronto Sun*

Under the O – Out of Business

The Lions Club in Hamilton, Ontario has called it quits. The 80 year-old service club used to raise upwards of \$30,000 a year for community projects such as playground equipment, sending sick children to summer camp and donations to senior's homes.

But high licencing fees and taxes have left little money for charity. The group's last four bingo sessions left them with a total of \$650 after paying \$660 in licencing fees to the city.

In Ontario, charity bingo licences are regulated through both the province and municipalities — with the province setting a maximum fee that a city or town can charge and the municipality issuing the licence.

"It takes too many bodies and too much work for the amount of money we have left," said Lions Club Secretary Doug Foster.

Lions Club bingo chairman Wayne Hay simply described it as "sad," noting the city had rebuffed several requests from service clubs to lower fees to allow events to be more profitable.

Last year their fees tallied \$4,290. By contrast, a licence to be an exotic dancer in the city is \$215. Some Lions joke that they should turn to burlesque to raise money for charity.

With files from the
National Post

Bureaucracy is flying high at National Defence.



Atlantic Canada 1st Anniversary

Atlantic Canada – One Year In

On September 13, 2010 the Canadian Taxpayers Federation (CTF) held a news conference in Halifax announcing a full-time presence in the Atlantic region. At the same time, we released a study on the outrageously rich pension programs the region's provincial politicians had arranged for themselves.

Releasing our MLA pension report on the same day as the launch proved a success. One Metro Halifax reporter's blog said it all, "Canadian Taxpayers Federation Opens Office with a Bang, Not a Whimper."

Now, one year later, under the direction of Kevin Lacey, we are proud to report on a remarkable year of achievement. Here are some of the highlights:

MLA pensions:

A report released by the CTF showed that for every \$1 a Nova Scotia MLA contributes to their pension plan, taxpayers kick in \$22. So rich is the plan that some Nova Scotia politicians could actually earn more in pension payouts when they retire than they can working as MLAs.

The story is similar in New Brunswick where politicians take \$16 from taxpayers for every \$1 they contribute to their pension.

These guaranteed, fully-indexed pensions for life are costing taxpayers \$11 million in Nova Scotia each year and approximately \$7.5 million a year in New Brunswick.

In order to become eligible to receive a pension, an MLA need only win two elections in New Brunswick, or serve six years in Nova Scotia.

The amount of money being received by retiring politicians is staggering, especially considering that 75% of Maritimers

“In just one year the CTF has become one of the most influential groups in our region. You don't have to always agree with what they say, but you can't argue with the fact that they've had an impact.”

**Jordi Morgan,
Host, Maritime Morning
Rogers All News Talk Radio**



in the private sector have no pension at all.

But should we be surprised? After all, it's MLAs themselves that vote for these benefits and it's unlikely opposition politicians – themselves wallowing in the same trough – will blow the whistle anytime soon. This is exactly why the CTF needed to extend its reach eastward.

Thanks to a campaign led by the CTF, the New Brunswick government decided a review of the MLA pension program was warranted and that it should be conducted by an independent panel.

The panel recommended a 30% decrease in total pension payouts. Shortly after the panel reported to the legislature, the cut was unanimously adopted, no doubt in part due to the significant public pressure generated by the debate.

The NDP government in Nova Scotia was slow to acknowledge a need for change and commit to doing something, but public opinion eventually left them with little choice and they too acceded to the CTF's call for an MLA pension review that is expected to report before Christmas.

Native salaries:

Since our founding in 1990, the CTF has been a vigilant watchdog of elected officials at all levels of government. Native politicians have not been spared scrutiny.

As a result of an access to information (ATI) request, the CTF discovered that one councillor for the Glooscap Native reserve in the Annapolis Valley, Nova Scotia – which has only about 80 people living on it – managed to take home close to \$1 million in salary and

Cape Breton Post

CTF scores pension review coup

Mon Jan 24 2011
Page: A6
Section: Comment

The Canadian Taxpayers Federation has scored a major coup in Nova Scotia just over four months after announcing a "full-time presence in Atlantic Canada."

The "full-time presence" is Kevin Lacey, who was introduced to the public as the CTF's new Atlantic director (read spokesperson) back on Sept. 14, 2010.

A Halifax native, Lacey worked in Prime Minister Stephen Harper's office (2006-08), was an adviser to former Nova Scotia premier John Hamm (2003-06), worked for both the Atlantic Institute for Market Studies and the Fraser Institute, and ran a consulting business "providing advice to leading politicians and corporations."

Lacey is still "providing advice to leading politicians," though they're not paying him anymore, it's much more public and it's welcome.

The coup is the Nova Scotia government has an independent panel review of the MLA pension program enjoyed by those who've served as an MLA, with the review report due in the spring.

Newly minted
Pier native
Friday

“A report released by the CTF shows that for every \$1 a Nova Scotia MLA contributes to their pension plan, taxpayers kick in \$22 ... The story is similar in New Brunswick where politicians take \$16 from taxpayers for every \$1 they contribute to their pension.”

“extra contracts.”

The disclosure confirmed the concerns of natives on many reserves who have been telling the CTF that they believe their politicians lack transparency, are being paid too much and are not being held accountable.

As a result of the battle at the Glooscap reserve, Nova Scotia's Conservative MPs and even some Liberal MPs joined to support a private members' bill in the House of Commons introduced by Saskatchewan MP Kelly Block. The bill sought to require every reserve across Canada that receives taxpayers' money to publicly disclose the salaries and expenses of their elected representatives.

Since the election, the Harper government is expected to bring the Block bill back as a government bill for speedy passage.

The Glooscap Reserve has now disclosed some of their salary information on their website.

Halifax Convention Centre:

Regretably, the Atlantic region has become synonymous with government agencies and bureaucracies designed to prop up money losing companies. Back in 1971 taxpayers poured money into production of a sports car in New Brunswick called the Brickland. After losing \$23 million, the provincial government refused to give a further \$10 million grant re-



Director Kevin Lacey responds to the 2011 New Brunswick budget in which a HST hike was averted. In year one Kevin handled 391 media requests and interviews and conducted 35 activities which includes speeches, meetings, appearances and reports.

quested by the company. In its last year of production, 1976, the car cost an estimated \$16,000 to build and retailed for \$5,000.

Nova Scotians sunk a king's ransom into owning and operating a steel mill in Sydney. After spending \$800 million dollars operating the steel plant, the government eventually shut it down.

Then there was the Newfoundland and Labrador initiative to grow cucumbers in the middle of winter. The Sprung Green House operation took \$18.7 million in taxpayer subsidies before going under.

“Congratulations on one year for the CTF in Atlantic Canada. Your first year has entirely lived up to my expectations: frank, unapologetic, unrelenting and impactful. My only question: Why did it take CTF so long to get here?”

Charles Cirtwill, BA, LLB, MPA
President and CEO
Atlantic Institute for Market Studies

You'd think these stories and dozens of others like them would give some pause for thought – but apparently not.

All three levels of government have committed to spending a little over \$159 million on a brand new Halifax Trade and Convention Centre. The current convention centre already loses hundreds of thousands of dollars year in and year out. In fact, the provincial government's own reports show that the new, larger convention centre will sustain even bigger losses.

While the CTF was not able to convince the politicians not to waste taxpayer dollars on another money losing venture, we along with other opponents were able to turn the tide of public opinion.

When the idea of a new convention centre was first proposed, 56% of Halifax residents said they supported the idea. However, a

separate poll conducted in April of this year following public debate told a different story. In that poll, 52% of Halifax residents said they don't think the city needs a new convention centre.

The new convention centre will go ahead, but hopefully a more aware public will continue to scrutinize the deal and hold their politicians accountable for its performance.

No HST hike in New Brunswick:

Facing an \$800 million deficit and a firm commitment to balance the budget in 2015, the newly elected New Brunswick government led by David Alward faced some tough choices in crafting their first budget ... raise taxes or cut spending.

Many in the New Brunswick business community pushed for tax hikes. David Ganong, President of Ganong Bros. Limited (the chocolate company) chaired a conference organized by the

Gas taxing unfair, says federation

By STEVE BARTLETT
TRANSCONTINENTAL MEDIA

The way gas is taxed costs this province's drivers about 3.4 cents a litre, according to the Canadian Taxpayers Federation.

It's lobbying to have governments provide relief on high petrol prices and suggests not changing HST on top of provincial and federal gas taxes is one way of doing so.

"What we're saying is the sales tax should be applied to the sale price or market price of gasoline," explains Kevin Lacey, Atlantic director.

"You wouldn't have, essentially, the governments gouging the average driver in order to get extra revenue just by putting the tax on top of tax."

According to the federation's number-crunching, since April and May, Newfoundland

"Governments keep saying there's nothing they can do, but the truth is, 30 per cent of the price at the pumps here in Newfoundland is tax. It just doesn't hold water that there's nothing government can do about the high price drivers are facing across Canada."

— Kevin Lacey

ers are suffering right now under these prices while government is raking in more money. It's backward and not right."

The federation's math has also found that the total tax paid by drivers is higher this year, with people in this province paying an average of 1.7 cents more in taxes, mostly because of higher prices.

"Governments keep saying there's nothing they can do," Lacey says, "but the truth is, 30 per cent of the price at the pumps here in Newfoundland is tax. It just doesn't hold water that there's nothing government can do about the high price drivers are facing across Canada."

A Department of Finance spokesman explained HST is administered under the law. He said it would be "unfeasible, for now, to change the tax."

to 10%, forcing an extra \$220 million out of the pockets of Nova Scotia taxpayers.

This year, the CTF obtained a report from Nova Scotia's finance department showing that when one combines federal, provincial and municipal taxes, that province

is the highest taxed jurisdiction in all of Canada. We drew the public's attention to that finding.

Finance Minister Steele responded by saying the CTF is a "right wing anti-tax organization" and that he "just doesn't know why the organization gets as much attention as it does."

The answer is simple: because we earn it!

A new path forward in Atlantic Canada

High taxes, low wages and corrupt politics have come to define the Atlantic provinces in recent years. But, it doesn't have to be like this and it hasn't always been the case.

The Atlantic provinces were built by set-

New Brunswick Business Council. TD Bank economist Don Drummond and University of Moncton professor Donald Savoie (who is given credit for founding ACOA) were brought in as speakers to support the call for higher taxes.

Meanwhile, the CTF went to work offering a different view. First, the real problem in New Brunswick was government spending. Since 2005-06, the NB government increased spending by \$1.7 billion – that's a big figure for a province with a population just over 750,000. Second, at present, inflation is exceeding wage growth. That means any increase in taxes would affect average middle class taxpayers the most. The CTF advocated for responsible fiscal management and no tax hikes.

In the province's budget, the government refrained from raising the corporate, income tax or HST rates. It was a good move. The CTF will continue to keep pressure on the government to stay the course until the budget is balanced in 2015.

CTF vs. Nova Scotia Finance Minister

Throughout the year, the CTF and Nova Scotia Finance Minister Graham Steele have been in a protracted battle over taxes and spending.

Last year, the minister raised the sales tax from 8%



Atlantic Canada Director Kevin Lacey answers media questions on New Brunswick's debt as part of the CTF's National Debt Clock Tour

Atlantic Canada 1st Anniversary

tlers who sought to get away from the high tax, parochial society of Great Britain to make a new life for themselves.

When confederation was debated, opponents claimed joining Canada would result in the imposition of higher taxes as in Ontario and Quebec. Their message held sway and in the 1867 federal election secessionists won 18 of the 19 seats in Nova Scotia and anti-confederates won five of the 15 seats in New Brunswick.

So how did a region founded by opponents of high taxes, so adverse to big government that they voted for anti confederation parties end up the highest taxed in the country?

In a recent episode of Jon Stewart's *The Daily Show* on US Comedy Network, he declared the Maritime provinces the "polite part of Canada."

As Kevin Lacey puts it: "Perhaps politicians have been the beneficiaries of a reticence to complain. It's time for the politics of this region to

change. In order for that to happen, someone has to be willing to ask questions, push for answers and put themselves in the line of fire. That's why the CTF is so needed here – even if not welcome by some."

Looking back, it is hard to imagine that all of this happened in just one year. For a newcomer on the local scene to make the kind of impact the CTF has in such a short time speaks volumes of the public interest in the issues and public support of our mandate. With this foundation, much may be achieved. This is just the beginning. ♦

Debt clock rolls into N.B.

■ Taxpayers federation says gov't spending problem needs to be addressed on eve of budget

BY ADAM HURAS
TIMES & TRANSCRIPT STAFF

FREDERICTON — It was ticking like a time bomb on the front steps of the legislature.

As the David Alward government readies to release its first budget today, the Canadian Taxpayers Federation launched the Maritime leg of its national debt clock tour in Fredericton, with the message den-

taxpayer.com

ber 2, 2011

NEWS
RELEASE

NS Public Servants \$100K Club Grows

TAX, NS: The Canadian Taxpayers Federation (CTF) has determined the number of public servants earning \$100,000 or more has ballooned by 26 per cent since just last year. The numbers are the result of an analysis conducted by the CTF of the Nova Scotia Accounts – Supplementary Accounts for fiscal years ending March 31st, 2010 and March 31st, 2011.

The Province projecting a \$390 million dollar deficit and each and every Nova Scotian paying more in taxes, the government shouldn't be increasing the number bureaucrats earning \$100,000 by 26 per cent, it just doesn't make any sense," says Kevin Lacey, Atlantic Canada director with the CTF.

The CTF estimates the total number of provincial Nova Scotia employees earning over \$100,000 in 2010-11 is 445, an increase of 92 compared to 2009-10 when there were 353.

'IT'S UNSUSTAINABLE'

Special report The public service falls under scrutiny as government wrestles with a fiscal crisis

56,000

The number of public servants in the province

22

per cent: the increase in the public administration jobs over the last five years

12.9

public administrators per 1,000 people in New Brunswick

4.9

public workers in Ontario per 1,000 residents



THE TRUTH ABOUT PARLIAMENTARY TRANSPARENCY Pt II of II

The most frequently asked question I received during my tenure as a Member of Parliament was (and still is), “What was the hardest adjustment for you after your election?” The answer is simple: adjusting to the closed and secretive culture that exists in Ottawa as it relates to government spending and the lack of open, pro-active access to information for Canadians. Constituents, friends and family rarely expressed surprise at that response; colleagues of all political stripes were another matter. Several described my position on full financial disclosure as extremely naïve, arguing the public “wouldn’t understand and couldn’t put MP spending in proper context.” What’s not to understand?

Others accused me of “opening a can of worms.” Fact is, my cans don’t have any worms.

Finally, there was my personal favourite, voiced by a senior, well-seasoned career politician who warned I would get absolutely no

thanks for my efforts to open my books to the public and that doing so was in fact “complicating” the issue for Canadians.

First, I neither sought nor anticipated thanks for doing the job taxpayers were paying me rather handsomely to perform. Second, the only things I found “complicating” were the accounting and reporting practices of the House of Commons (HOC). Straightforward simplicity appeared to be avoided at all costs. As a former banker, it didn’t take long to identify several systems and protocols in the reporting procedure that could and should be tightened up.

Take for example the annual \$25,400 per Member allocation for living expenses while in the nation’s capital. That allowance is to be utilized for accommodation while in Ottawa and includes provision for both rent and per diem for meals. Rent or hotel reimbursement requires filing a receipt to show the expense has been incurred. However, the same does not currently apply for meal expenses. A Member can claim up to \$85 a day for food without producing any evidence of having actually incurred the expense.

Michelle Simson served as the Liberal Member of Parliament for Scarborough Southwest from October 2008 to May 2011. She was the first MP to voluntarily disclose complete details of her annual MP’s budget and post online. You can access her financial disclosure and compare it to the “disclosure” for all MPs at michellesimson.ca.



The first of this two-part series ran in the Summer 2011 issue of the *The Taxpayer*.



As an MP I frequently attended breakfast meetings where the House of Commons provided a hot meal each day in the Member's lounge. Moreover, there was never a shortage of invitations to receptions and dinners. Without having to show that a meal expense had been incurred, it didn't take me long to figure out that the allowance was nothing more than a tax-free income supplement.

My personal decision was to claim only rent expense with a receipt – I needed a home away from home. However, regardless of where I am or what I'm doing, I have to feed myself and felt I should do so at my own expense.

“The hardest adjustment for [me] after [the] election?” The answer is simple: adjusting to the closed and secretive culture that exists in Ottawa as it relates to government spending and the lack of open, pro-active access to information for Canadians.”

The Board of Internal Economy (BOIE) is frequently called upon to secretly deliberate on matters involving sitting MPs seeking compensation to cover legal expenses incurred as a result of their position. One of the more common reasons an MP requires legal representation relates to employee litigation – harassment and wrongful dismissal. That didn't come as a surprise. The documentation required by the HOC from an MP to have an employee placed on the payroll is absurdly inadequate. One form with the employee's name, address, SIN, job title, salary and term of employment – not even signed by the employee – is all it takes. That protocol is a recipe for expensive misunderstandings down the road – a road paved in taxpayers' money.

Public access to detailed information and the cost of legal representation for MPs involving such cases is a closely guarded secret by the BOIE. They have historically cited “privacy concerns” for the MP involved. My view is any use of public funds should require public disclosure; a matter of national security being the possible exception. If an MP wants a legal issue kept private, fund it privately. In other words: pay for it yourself.

To be fair, financial transparency and accountability is not a problem exclusive to MPs' expenses. As a former business executive in the private sector, I found it rather galling to be required to vote on legislation and programs without a clue, if ultimately enacted, what impact that passage would have on the public purse. In so many cases, that information is a crucial benchmark in determining the true merit and value of implementing new programs and laws.

As a result of this “black hole” in the pro-



GUEST COMMENTARY

“A Member can claim up to \$85 a day for food without producing any evidence of having actually incurred the expense. As an MP I frequently attended breakfast meetings where the House of Commons provided a hot meal each day in the Member’s lounge. Moreover, there was never a shortage of invitations to receptions and dinners ... it didn’t take me long to figure out that the allowance was nothing more than a tax-free income supplement.”

cess, I began actively pursuing financial information on policy and program changes. This is accomplished by an MP posing precise and pointed questions that are placed on the government order paper. Unlike Question Period where an answer to any question is extremely rare, the government is required to provide a full written answer to the MP’s question within 45 days of its being tabled. My endeavors to uncover cases of squandered tax dollars, while quite successful, were decidedly unappreciated by the government. A Conservative MP actually tabled a question wanting to know the cost of providing me with answers to my financial queries!

One of the final lessons learned after I was “unelected” in May of this year was how incredibly generous MPs were to themselves when defeated. Not surprising, but extremely expensive for taxpayers. After a mere six years of service, an MP is eligible to receive a fully indexed pension and benefits for life that most Canadians can only dream of. For every dollar an MP contributes to their pension plan, taxpayers kick in \$5.50. For former MPs not pension eligible, compensation includes six months severance pay, up to \$12,000 for winding up (movers, temporary office space, postal services, temporary admin support), \$15,000 resettlement (financial, retirement and re-employment counseling) plus four return trips anywhere in Canada in search of new employment.

The experience of being a taxpayer as well

as an MP has provided me with unique and valuable insight; insight I intend to put to good use in the on-going battle for open, transparent and accountable governance. It’s up to all Canadians to finally and forever remove the ever-tightening cloak of secrecy enveloping all levels of government. Failure as a nation to do so is an option we can no longer afford. ♦

Sanctions against Simson

The BOIE currently does not encourage open, transparent and full financial disclosure by MPs of their budgets. Simson was subject to sanctions for posting her MP expenses online.

Despite having received the blessing of her party to publicly disclose her budget expenditures, she was “shifted” from her committee – ironically the Access to Information, Accountability and Ethics Committee.

In the fall of 2010, her new party whip, a member of the all powerful BOIE, blocked her from rising in the House of Commons to speak on behalf of her constituents until she agreed to remove the disclosure page from her website. That specifically included honouring a fallen soldier and police officer both killed in the line of duty, both of whom were constituents in her riding. ♦

“Slimy” “Social Justice?”

CTF’s Labour Day Release Creates a Stir

Apparently the CTF is “slimy” [sic] for drawing attention to the number one labour issue in the country just before Labour Day.

You see, just before September holiday, the CTF put out some Statistics Canada data showing that average government employees’ pay and benefits are both better than, and rising faster than, everyone else’s.

That didn’t sit well with the Nova Scotia branch of the Canadian Union of Public Employees’ (CUPE). They got in quite a

huff about the data and especially the timing of our release.

Apparently, the union thinks it has ownership of the international holiday and any related news stories – who knew?

The government union responded to our news release by issuing one of their own.

But they were so flustered and flummoxed they forgot to check their spelling and declared the CTF “slimy” without an “e.”

“Slimy” or not, the CTF is pushing for more modest pay and benefit levels for government employees, so that



Pensions - Employees with Workplace Pension Plans

	1977	2009	% Change
Government workers	75.5%	86.2%	+10.7%
Private Sector workers	35.2%	25.3%	-9.9%

Pensions - Employees with Defined-Benefit Pension Plans

	1977	2009	% Change
Government workers	74.8%	81.0%	+6.2%
Private Sector workers	31.4%	14.2%	-17.2%

Salaries – Average Weekly Earnings

	2001 (July)	2011 (July)	% Change
Government workers	\$756.01	\$1,023.20	+35.3%
Private Sector workers	\$598.81	\$777.69	+29.9%

Source: Statistics Canada Labour Market Data

everyone in Canada can share in the savings through lower taxes.

But enough about our friends at CUPE.



by Colin Craig
Prairie Director

The Statistics

Canada data showed something that is increasingly being documented in Canada – the typical government employee is getting a far better deal than everyone else.

Now that doesn't mean everyone who works for the government in one form or another is overpaid, but it's clear the typical government employee is doing far better than those in the private sector; and the gap is growing.

According to Statistics Canada, from 2001

to 2011 the average government employee's pay increased from \$756.01 per week to \$1,023.20; a 35.3% increase. Over the same period, the average private sector worker saw their pay increase from \$598.81 per week to \$777.69; a 29.9% increase.

And it doesn't end there.

From 1977 to 2009, the number of government employees with workplace pensions increased from 75.5% to 86.2%. Over the same period, private sector employees saw their workplace pension coverage decrease from 35.2% to just 25.3%.

In terms of defined benefit pensions plans (the best type), 81% of government employees

E-mail received from CUPE representative on CTF's Labour Day news release.

CUPE Nova Scotia calls CTF's Unfair Labour Day campaign "slimy"

SEP 6, 2011 11:52 AM

TRURO, NS - CUPE Nova Scotia President Danny Cavanagh is coming out swinging against a campaign launched by the Canadian Taxpayers Federation (CTF) which has targeted Labour Day.

As part of their campaign, the federation is suggesting that governments are going into debt to maintain what they call an unfair wage gap between private sector and public sector employees.

Says Cavanagh, "The CTF appears to hold a worldview where all working people should be making minimum wage, with no pensions and no benefits. But to try and target the one day of the year when labour gets to celebrate its accomplishments is just downright slimey. There is no other way to describe it.

"The CTF's mantra that the private sector is always good and the public sector is always bad is simplistic in the extreme. Were they living under a rock when the entire global economy almost collapsed in 2008? This crisis was caused entirely by greedy corporations and investment bankers in the private sector," he says.

"Unlike the CTF, Nova Scotians understand that decent jobs are created in the private sector, especially in a

From: John McCracken [mailto:jmccracken@cupe.ca]
Sent: Tuesday, September 06, 2011 10:46 AM
To: ab.director@taxpayer.com
Cc: atlantic.director@taxpayer.com; Danny Cavanagh
Subject: CUPE NS news release - unfair labour day campaign

What's next from you guys? Pregnant women should be fired? It's their fault they got knocked up, right?

Your callous attempt to try and 'rebrand' Labour Day - the one day a year that working people get to actually feel good about their contributions to society - takes your tactics to a desperate new low - even for you.

Remember, cynicism is simply despair in disguise.

John McCracken
CUPE Atlantic Communications Rep.

have them, compared with just 14.2% cent in the private sector.

Now let's be clear. No one expects a teacher, firefighter or any other government employee to get paid peanuts for an honest day's work.

But government jobs shouldn't have pay levels that are much higher than private sector positions that are providing similar work. For example, a government accountant shouldn't make 20% more in pay and benefits than a private sector accountant performing similar duties.

Sure, you're going to find the odd government position that currently comes with low-

“According to Statistics Canada, from 2001 to 2011 the average government employee's pay increased from \$756.01 per week to \$1,023.20; a 35.3% increase. Over the same period, the average private sector worker saw their pay increase from \$598.81 per week to \$777.69; a 29.9% increase.”

er pay than in the private sector. But on the whole, government employees in Canada are getting a much better deal than employees doing similar work in the private sector. Study after study by the Frontier Centre for Public Policy, the Fraser Institute and Canadian Federation of Independent Business have all come to this same conclusion.

Beyond pay and benefits, there are many other perks such as unprecedented job security that comes with a government job.

Take the case of federal bureaucrat Franklin Andrews who was fired in 2009 for spending 50% to 75% of his work day surfing the internet and downloading pornography on his government computer. He appealed his firing arguing it was the government's fault that he didn't have enough work to do and was "bored." Incredibly, he has since been hired back and is making between \$76,010 and \$104,026 a year (his pay range is known, but not his exact salary).

Or how about union contracts in the federal civil service that require severance be paid to employees who are not only laid off; but also paid in the event they retire or resign to take another position. The federal government has set aside \$1.3 billion (yes that's billion) to end this provision with just one of its employee unions, the Public Service Alliance of Canada. More are expected to follow.

To correct the overall pay and benefit gap, most government services should be opened up to competition regularly.

Civil servants cash in

Wage gap with private sector growing

KELLY ROCHE
Ottawa Sun

Government workers continue to earn more than those in the private sector — and the gap is growing.

"The solution is obvious — we all need to go work for the government," said Canadian Taxpayers Federation executive director Gregory Thomas.

"But if everybody's working for the government, then who is left to pay for it all?"

Citing new numbers from Statistics Canada, Thomas says salaries for government workers have increased 35.3% in the last 10 years,

while non-government employees are making

are calling it quits before reaching 35 years of service.

"Gold-plated pensions? I don't think so," said Rousseau, PSAC's regional executive vice-president for the national capital region.

In the last five years, he said, more and more workers are reporting higher levels of stress and illness.

"People who have had 30 years are bailing out," he said.

And that comes with a penalty.

For instance, a 52-year-old public servant who retires early would get 50% — instead of up to 70% — of their salary.

The average age of new hires in the federal

"If everybody's

That would not only ensure competitive costs and efficiencies are achieved, everyone would get a fair shot at providing government services. Governments across the world have found that partnering with the private sector can deliver huge

“The federal government has set aside \$1.3 billion (yes that's billion) to end this provision with just one of its employee unions, the Public Service Alliance of Canada. More are expected to follow.”

savings and improve results for taxpayers. Competition would also help root out those that fool around on the taxpayers' dime.

For services that can't be easily put out to competition, such as firefighting, the government should ensure compensation and subsequent increases in such divisions are reflective of the private sector. But at the same time, governments would be wise to stop paying employees based on years served and instead move to performance pay.

In fact, talk to many hard working government employees and they'll tell you they're tired of getting paid the same as colleagues who are half as productive.

Because the problem is a national concern, the CTF has called for the matter to be brought up at a first ministers meeting — you know the annual meeting when provincial premiers and the prime minister get together to talk about issues.

Perhaps if politicians band together they could muster up the courage to take on union bosses that threaten everything under the sun when their pay and benefits are questioned.

One thing is for certain, the current situation needs to change. Like the unions often say, we need some “social justice.” ♦

The Reality of Tax Administration and Enforcement in Canada

A former CRA Collections Officer offers his thoughts



Frank Flynn B.A. of Peterborough, Ontario is a former Canada Revenue Agency Collections Enforcement Officer. He now operates Taxpayer Relief Letters a niche consultancy specialising in writing applications for relief from penalty and interest on tax liabilities. He may be contacted through his website at www.taxpayerreliefletters.ca

Public discourse in Canada suffers no shortage of tax policy discussion. Politicians campaign on tax policy, think tanks publish reports on tax policy, advocacy groups demand changes to tax policy; coffee-shop sages ruminate on the subject. We're awash in policy talk. To borrow a phrase – we're soaking in it.

Certainly, good tax policy is one of the pillars of a healthy economy and sustainable government revenues. But for the taxpayer who has to deal with Canada Revenue Agen-

cy (CRA), the particular considerations of tax policy are secondary at best.

People who are being audited for example, are more likely concerned with whether an auditor is going to deny deductions, increase taxable sales or assess gross negligence penalties. People who have a problem with the Collections Division are probably mulling over exactly how they're going to get the collections officer to release the garnish-ee on their bank account. For many Canadians, their experience of taxation is fraught with fear and anxiety that is the product of arbitrary administration and enforcement.

This is the distinction between the heady debate of tax policy, and the nuts and bolts reality of how the *Income Tax Act* is administered and enforced.

The reality of administration and enforcement

As comforting as clearly codified tax policy might be, too often policy has nothing to do with the real and often devastating effects of inadequate, unfair, or unreasonable administration and enforcement. What can a taxpayer do when they're being audited for the third or fourth time? What can a taxpayer do when a collections officer destroys their reputation by distributing garnishees all over town? What can a struggling taxpayer do when an appeals officer ignores sound arguments?

Of course there are those that would argue Canadians enjoy multiple avenues of re-

TAX ENFORCEMENT

dress. Strictly speaking this is true. But the missing question is: are the taxpayers' tools of redress, rapid, agile, effective and affordable? Consider this, what is the effect of the appeal process on the business that endures a lengthy audit, an unsuccessful appeal, but ultimate victory in Tax Court? The taxpayer has borne the cost of employee hours to prepare for the audit, the expense of accounting work to navigate the audit, the cost to prepare a notice of objection and the legal fees to appear in Tax Court.

After all is said and done the taxpayer may well have achieved their goal but at what cost?

Canada Revenue Agency makes mistake, doesn't care, destroys family's life



Westernstandard.ca | April 25, 2011

It is shocking to see the raw power of a government's revenue collection agency. Stories of the U.S. Internal Revenue Service destroying ordinary people's lives over tax errors (even when it's the fault of the IRS) are not infrequent. But you might think that the Canada Revenue Agency would be less heartless. You might think that the CRA treats Canadians with some measure of decency and respect. After all, it's our money that they're taking.

“The truth is, when it comes to redressing problems of administration and enforcement, anyone who has been through the process will tell you; even when you win, you lose. And it would be naïve to think that the people responsible for administering and enforcing the Tax Act don't know this. In fact they're counting on it.”

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One of the Canada Revenue Agency's goals is to maximize revenues. Unfortunately, that introduces the reality of cost-benefit systems that undermine fair taxation. Is the Agency going to invest thousands of hours into pursuing organizations or individuals that have the financial, legal, administrative and intellectual resources to challenge tax assessments? The fact is the Agency is in the business of harvesting low hanging revenues. Why? Because it's more cost effective and offers higher yields. The redress process is sufficiently lethargic, cumbersome, inadequate and expensive to amply discourage would-be appellants or complainants.



Taxpayers' redress

Of course the Canada Revenue Agency would fairly point to the appeals system, their service complaint system and the availability of the Taxpayers' Ombudsman as evidence of mechanisms for redressing service deficiencies or breaches of taxpayers' rights. But where is the evidence of their efficacy?

What happens when a taxpayer is unfairly treated or their service rights are violated? For too many Canadian taxpayers the answer is simple – not much. Filing a service complaint with the Agency is akin to asking police departments to investigate themselves. Even when corrective action is taken or appears to have been taken, it's usually a case of too little, too late.

TAXPAYER UPDATE | CRA vs Leroux

In the Summer 2009 issue of *The Taxpayer*, we brought you the story of Irvin Leroux's battle with CRA.

Back in the 1990s Mr. Leroux was developing a small residential subdivision and running a successful RV park and campground in northern British Columbia. A 1996 CRA audit resulted in officials illegally removing documents from his home,

including receipts he would need to prove legitimate tax-deductible expenses, then inadvertently shredding them.

Nevertheless, CRA went on to assess Mr. Leroux almost \$1 million in GST, income tax, penalties and interest, explaining that the

onus was on him to prove his expenses. The needed proof they had shredded.

Mr. Leroux was successful in tax court in 2005 with CRA admitting its mistake and agreeing that Mr. Leroux had actually overpaid his taxes and was entitled to

“A 1996 CRA audit resulted in officials illegally removing documents from his home, including receipts he would need to prove legitimate tax-deductible expenses, then inadvertently shredding them. Nevertheless, CRA went on to assess Mr. Leroux almost \$1 million in GST, income tax, penalties and interest, explaining that the onus was on him to prove his expenses.”



TAX ENFORCEMENT

Taxpayers' Ombudsman to the rescue?

Naturally one could argue that the Office of the Taxpayers' Ombudsman is a measure of final redress that would surely effect change. The statistics available on the Ombudsman's website offer insight into that assumption. The Annual Report for 2009-10 indicates that the Ombudsman's office fielded just over

5,300 phone calls, the vast majority of which were referred back to the Agency or other government departments.

The Ombudsman's intake unit reports opening 1,190 new files for more detailed individual or systemic review. Of these and existing cases, individual reviews resulted in 326 cases being closed by providing taxpayer-

a small refund. But it was too little too late.

By this point Mr. Leroux's more than decade-long battle with CRA enforcement had cost him his business – lenders alarmed by his apparent tax debt had foreclosed on mortgages and his property was gone. He lost his potential earnings and retirement income and suffers severe mental and health distress as a result of the ordeal.

Mr. Leroux's Member of Parliament Dick Harris is reported to have discussed Mr. Leroux's case with then Revenue Minister Carol Skelton. Harris was told there was no policy in place to provide for compensation, but that if sued, CRA would settle out of court.

In November 2006, Mr. Leroux commenced a court action against CRA expecting a fair settlement would be reached. Mr. Leroux's statement of claim sought damages for public misfeasance and negligence. A claim was later added for a declaration that the CRA has violated his Charter right to security of the person.

Ironically, while all this was

happening the Harper government was drafting its *Taxpayer Bill of Rights* and creating the Taxpayers' Ombudsman's office. Meanwhile, the CRA with its inexhaustible resources sought to have Mr. Leroux's lawsuit dismissed as "frivolous and vexatious."

In 2009, Mr. Leroux's case was taken on by the Canadian Constitution Foundation (CCF) – an organization dedicated to protecting Canadians' constitutional freedoms. In a decision released July 7, 2010, Justice B.M. Preston held that the pleadings, if proven true at trial, would be "sufficient to support those claims" for "negligence and breach of statutory duty." Accordingly, the bulk of the motion relief requested by the CRA was denied and the CRA was ordered to pay Mr. Ler-



Irvin Leroux

oux's costs of the motion.

However, the CRA appealed this decision and is again attempting to have this case quashed before it can reach trial. That appeal will be heard in November, 2011. If this isn't the modern day example of David vs.

Goliath, then nothing is.

The Canadian Taxpayers Federation continues a pitched battle with bureaucrats giving us the run around in our efforts to find out how much of our tax dollars are being used to support CRA's fatwa-like campaign against Mr. Leroux. The Canadian Constitution Foundation meanwhile, is continuing its commendable legal defence. Donations are urgently needed and can be made through their website at www.theccf.ca. Since the CCF is a registered charity, donations are eligible for tax receipts. ♦

TAX ENFORCEMENT

ers with information after a preliminary assessment or a full investigation determined that the cases fell outside the Ombudsman's mandate. Cases referred back to the Agency's Service Complaints Division, other CRA program areas, or other government bodies totalled 722.

Of the files that were resolved through examination, 81 were resolved in favour of CRA, 83 were resolved in fa-

vice to and treatment of taxpayers and benefit recipients through independent and impartial reviews of individual complaints and systemic and emerging service-related issues." As far as partiality goes, the Ombudsman is "neither an advocate for the taxpayer, nor a defender of the CRA" and "operates at arms-length from the CRA."

If the Ombudsman is not an advocate for taxpayers why is the position referred to as the "Taxpayers' Ombudsman?" If the "Taxpayers' Ombudsman" has no authority to compel CRA to act, who does? Why would CRA change its approach if not compelled to by some greater authority? And in what way is the Ombudsman's office arms-length if their budget is approved through the Ministry of

National Revenue? These are important questions that require answers.

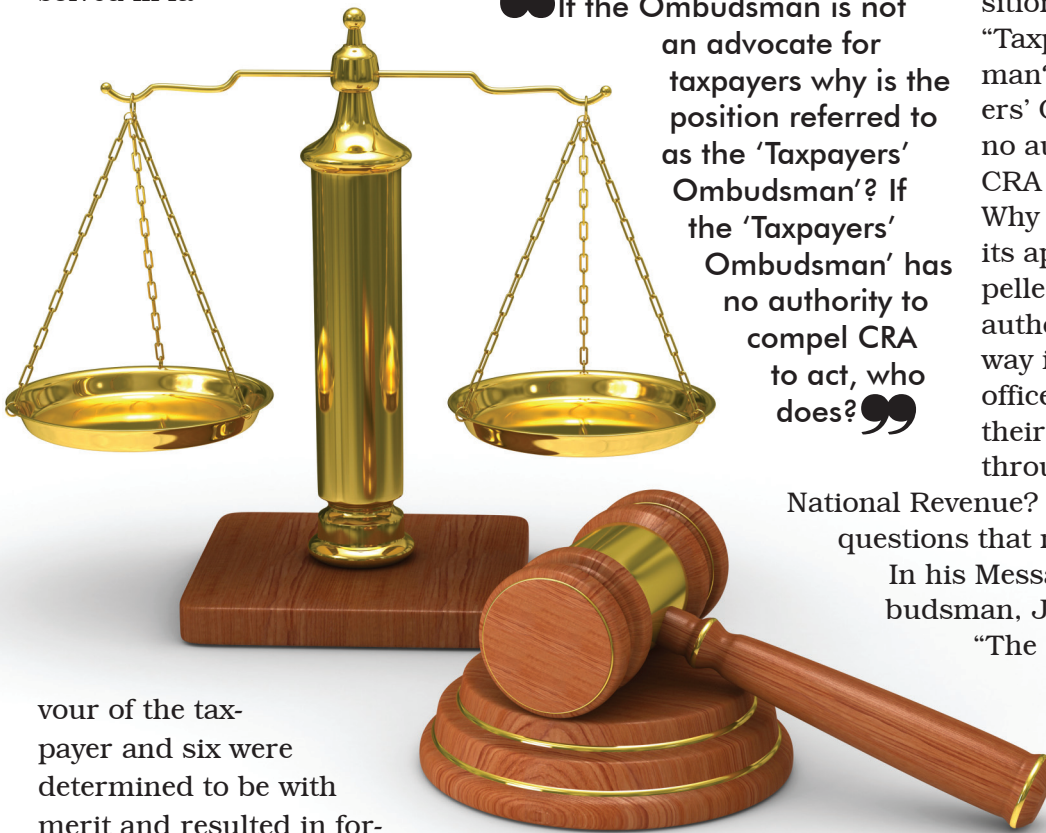
In his Message from the Ombudsman, J. Paul Dubé says,

"The Office of the Taxpayers' Ombudsman was created to promote professional service and the fair treatment of taxpayers by the

Canada Revenue Agency" and he's pleased to report that, "this relatively new organization is already helping the CRA improve its service."

Evidently the Taxpayers' Ombudsman sees his role as one of promoting fair treatment and being a helper to CRA. It's not clear to me how an organization with a \$2.7 million budget, no authority over CRA, and a mandate to help CRA is of any value to the Canadian taxpayer.

“If the Ombudsman is not an advocate for taxpayers why is the position referred to as the 'Taxpayers' Ombudsman'? If the 'Taxpayers' Ombudsman' has no authority to compel CRA to act, who does?”



vour of the taxpayer and six were determined to be with merit and resulted in formal recommendations to the CRA. For all this the Ministry of National Revenue budgets \$2.7 million the bulk of which goes to salaries for 28 staff.

As for its mandate, the Ombudsman is responsible for ensuring that CRA respect the service rights outlined in the *Taxpayer Bill of Rights*. The Ombudsman's office makes very clear that their mandate does not include any authority to direct the CRA to take action. Their stated mission is to "enhance the Canada Revenue Agency's accountability in its ser-

TAX ENFORCEMENT

Moral suasion or new systems of accountability?

The Ombudsman addresses these concerns by asserting, "Results are achieved through the sharing of the ombudsman's judgment about whether or not the organization is acting in a fair and reasonable manner." He goes on to say, "An ombudsman's effectiveness is dependant on using moral suasion to convince the organization that the recommendations are sound, reasonable, and should be implemented."

For anyone who has ever had any dealings with the Canada Revenue Agency, if it were simply a matter of sharing judgment and exercising moral suasion, we wouldn't need an Ombudsman. The reality is; a service complaints system, an Ombudsman, or even the most brilliant tax policies in the world aren't going to help you if you're up against an institution whose sole purpose is the extraction of money. What the CRA needs is a watchdog, not an Ombudsman, or at least an Ombudsman with a re-written mandate and the authority to compel the Agency to act with transparency and accountability. Right now, despite elaborate mechanisms of recourse, both are sorely absent.

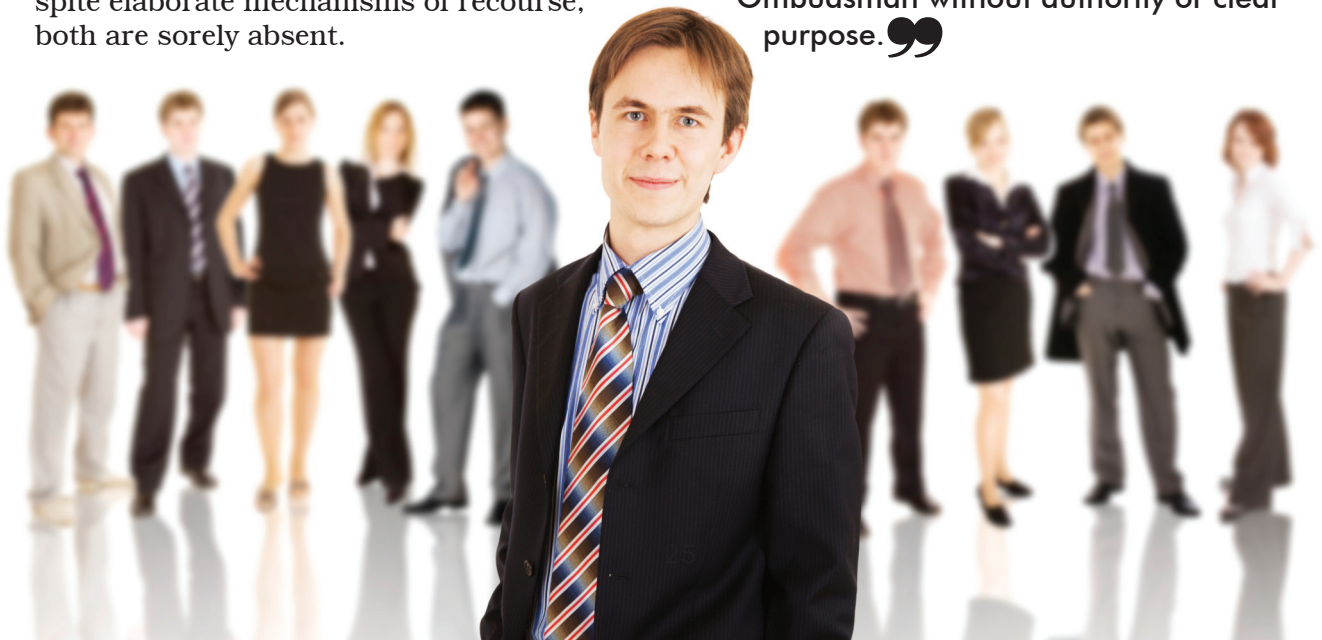


Canada Revenue Agency headquarters in Ottawa: as of October 1, 2011 the agency reports an army of 41,432 employees.

Canadians need and deserve fair and equitable tax policies. But of far more immediate need is a tax system with meaningful, affordable and accessible tools of accountability. Canadian taxpayers shouldn't have to rely on an organization to investigate itself when mistakes (in-

tentional or otherwise) are made. Nor should they have to pay for an Ombudsman without authority or clear purpose. What we have now are systems that create the appearance of accountability without actual accountability or incentive for improvement. We have processes where the costs in time, energy and resources to access even the illusion of accountability, are beyond the reach for most Canadian taxpayers. Until such time as there are mechanisms of real accountability, we can expect the Agency responsible for collecting the nation's taxes to continue harvesting the low hanging revenues. ♦

“Canadian taxpayers shouldn't have to rely on an organization to investigate itself when mistakes (intentional or otherwise) are made. Nor should they have to pay for an Ombudsman without authority or clear purpose.”





NOW

THE TIME FOR PENSION REFORM IS

Pension reform is expected to rise to the top of the Conservative government's agenda in the coming year. And while the changes will affect all Canadians, the most important changes could potentially impact government workers. If lawmakers choose to lead, there is opportunity to create lasting security for pensioners and taxpayers alike.

In the last election campaign, the NDP promised steeper Canada Pension Plan taxes to fund richer monthly benefits for retirees, while the Conservatives proposed freedom of choice for retirement savers, coupled with a stronger and more flexible tax-sheltering arrangement for those savings.

Not surprisingly, politicians of every stripe were silent on the biggest pension threat facing Canadians: massive entitlements for government employees, topped off by the gold-plated Parliamentary pension plan – a scheme so lucrative, it's forbidden for ordinary Canadians by the *Income Tax Act*.

With the election decided, federal and provincial finance ministers are discussing the government's new Pooled Registered Pension Plan (PRPP) proposal, with a view to tabling legislation in Parlia-



Troy Lanigan
President



Gregory Thomas
Federal Director

ment in the current session. The benefits of adopting the reform would be considerable, provided that government agrees to play by its own rules.

Currently, workers and employers contribute a maximum of \$2,217.60 each year to the Canada Pension Plan, or 9.9% of each workers

gross earnings between \$3,500 and \$48,300. In exchange for that huge cut of everybody's paycheque, government provides a maximum annual pension of \$960 a month – 25% of the average monthly industrial wage in Canada. Old Age Security and the Guaranteed Income Supplement provide additional taxpayer-



W funded retirement income from the government's general revenues. Instead of raising CPP taxes and payments with its one-size-fits-all approach, the pooled pension proposal would leave it to workers and employers to negotiate their own pension arrangements, beyond the current CPP benefits. Money paid into the plan will be invested by an arms-length administrator. Workers won't be able to take money out until they hit retirement age – but they will essentially own the retirement account, and they'll be able to move it from job to job, city to city, and hopefully, from the private sector to the public sector, and back again, as their career unfolds.

The pooled pension offers retirement security, personal freedom and a more efficient labour market where workers can make the best career decisions for themselves and their families, without worrying about losing pension benefits. And because it's pooled, administration costs will be low.

New pensions for new hires

There's one other key advantage of the pooled pension plan: the opportunity to gradually reduce billions in unfunded pension liabilities by transferring *new* public sector hires onto the plan. The flex-

ibility of the plan allows for government employees in all sectors and all levels of government to join.

As referenced in the book review *Pension Ponzi Scheme* on page 31, thousands of government employees are retiring as early as age 52 and raking in guaranteed, indexed pensions for life (defined benefit) – all backstopped by taxpayers.

With life expectancy rising, pensions becoming ever more generous and the growing practice of “double-dipping” (pensioned government workers being re-hired or going on contract), governments can now expect to pay some workers more in their retirement years than they ever made while they were working. Meanwhile, governments continue to go deeper in debt.

A bureaucrat who started with the federal government straight out of high school, earning \$59,000 in his best five years, could retire at age 52 with a pension of \$2,925.42, or \$35,105 a year until reaching the age of 65. At that point, Old Age Security and CPP kick in, upping the annual total to over \$42,000, fully-indexed for life. In the meantime, that former government employee could be working a new job, perhaps even be working on a second pension.

They heyday of defined-benefit is over

It's one thing to retire at age 52 with \$831,000 in employer and employee savings (not including OAS and CPP). It's quite another to be *given* \$831,000 as a pension benefit regardless of how much has been saved. Today, fully 81% of government employees across the land – teachers, police, federal bu-

“It's one thing to retire at age 52 with \$831,000 in employer and employee savings (not including OAS and CPP). It's quite another to be *given* \$831,000 as a pension benefit regardless of how much has been saved.”





reaucrats – enjoy that arrangement. For the rest of us, who don't work for government, only 14% are enrolled in such a plan. That number was 31% as recently as 1977. And it is going to continue to get smaller.

Why the change?

Companies started moving from defined-benefit plans, such as the ones offered to government workers, to defined-contribution plans in the 1980s, mainly to insulate against unfunded liabilities (where money in the plan doesn't cover the pension owing) and support labour mobility (where workers could take their pension savings at one job and move them to another without penalty). It's a trend that continues.

For example, the Royal Bank announced plans in September to scrap its current guaranteed defined-benefit pension plan, instead offering its workers a contribution to a tax-sheltered retirement savings account. And both Air Canada and Canada Post moved to curtail pension benefits for new employees in the last round of contract negotiations, triggering strike votes from unionized staff.

Canadians do hold \$750 billion in registered savings plan accounts, an impressive number. Yet, when you divide the total savings by the 18 million Canadians in the labour force, the savings amount to little more than \$40,000 per person.

Policies that support Canadians saving for – and taking responsibility for – their

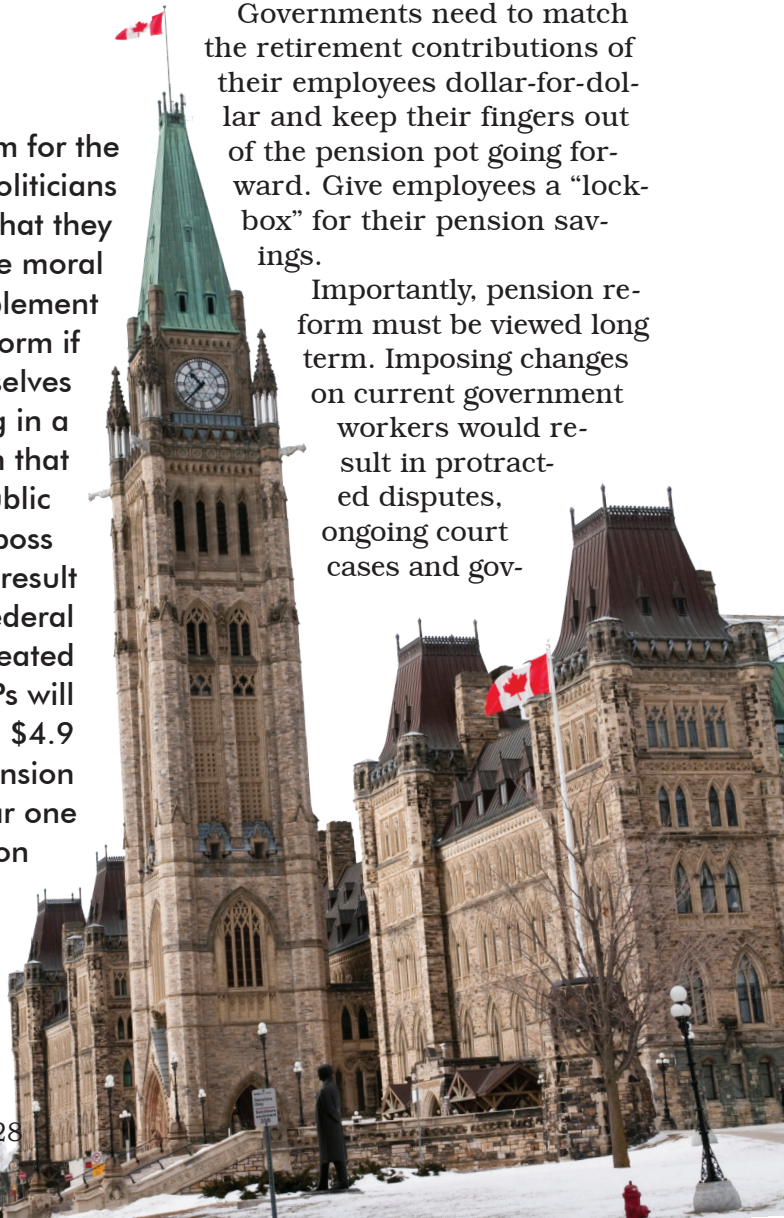
own retirement like RRSPs and Tax Free Savings Accounts (TFSPs) are important. But it's also important that Canadians are not being asked to pay higher taxes to cover shortfalls in government pensions far richer than anything they could reasonably expect for themselves.

The pooled pension plan should provide taxpayers with predictability in the amounts they contribute and workers predictability in knowing their investment is secure. In the past, governments have monkeyed with pension "surpluses," and on the advice of "actuaries" both taken money out of pension accounts and even given "contribution holidays," only to find that rosy estimates for investment returns were woefully optimistic.

Governments need to match the retirement contributions of their employees dollar-for-dollar and keep their fingers out of the pension pot going forward. Give employees a "lock-box" for their pension savings.

Importantly, pension reform must be viewed long term. Imposing changes on current government workers would result in protracted disputes, ongoing court cases and gov-

“The problem for the current crop of politicians in Ottawa is that they have little moral authority to implement pension reform if they themselves are wallowing in a pension trough that would make a public sector union boss blush. As a result of the 2011 federal election, 113 defeated or retiring MPs will take home \$4.9 million in pension benefits in year one and \$4.3 million in severance benefits.”



ernments losing their courage (and even the odd election) over time.

If pension reform is to be successful, it has to start with *new* hires who know the deal the

day they start the job: taxpayers will match their retirement savings dollar for dollar. And, the first group that should commit to that shift are lawmakers themselves.

Anatomy of an Unfunded Liability

The story of one union pension fund in one province

Having a defined-benefit pension means teachers retiring in Alberta at age 55 after 30 years of work can receive up to 70% of their working income fully-indexed for life (when combined with CPP). This benefit is paid regardless of how much money is – or is *not* – saved in their retirement kitty.

Through years of government not putting enough into the fund, teachers not putting enough into the fund, richer payouts and investments that didn't pan out as well as expected – a giant debt was created. Known more elegantly as an 'unfunded liability' it is essentially the gap between pension guarantees and the amount of money in the pension fund.

Between 1992 and 2007 paying off that

unfunded liability was supposed to be split between teachers and taxpayers, but former Alberta Premier Ed Stelmach changed that. In exchange for teachers agreeing not to strike for five years, Premier Stelmach agreed to have taxpayers take over the entire debt.

And it's no small potatoes. Taxpayers are now on the hook for – wait for it – \$8 billion. That's an additional \$2,100 for every Albertan, over and above what they already contribute to teachers' pensions each year.

Of course even if every Alberta family mailed a cheque to the government for \$10,000 to take care of their share of the teachers' pension liability, the problem is not solved. As soon as investment returns slide or actuaries low-ball average life-

span of a teacher, taxpayers would once again be on the hook. ♦

Teachers reach pension deal with province

Premier Ed Stelmach bulldozed through potentially his largest political barrier to electoral success on Thursday, announcing a multibillion-dollar deal to cover the teachers' unfunded pension liability in exchange for five years of labour peace.

BY THE CALGARY HERALD NOVEMBER 16, 2007

Spending watchdogs, however, assailed the government. Opposition parties said the deal was struck for political expediency, leaving 30,000 teachers who could go on strike.

The tentative deal between the province and the teachers' union would swallow the teachers' \$2.1-billion portion of the unfunded pension liability owed by the province -- for a total of \$4.4 billion.

But the agreement is contingent upon all 62 bargaining units ratifying the deal by the end of the year. If the boards could be on strike in the new year -- a possibility that has not been ruled out -- the campaign to pay off the liability

Alberta to take on debt for deal

The Stelmach government's tentative deal to assume the teachers' unfunded pension liability will remove an "albatross" hanging over Alberta but will amount to billions of dollars of provincial debt, suggests a new report from a government-appointed task force.

BY THE CALGARY HERALD NOVEMBER 17, 2007

A day after Premier Ed Stelmach announced an agreement to absorb teachers' \$2.2-billion portion of the unfunded pension liability -- on top of the government's \$4.4-billion share. The deal still needs to be ratified by teachers.

A blueprint that was presented to the government in October but released Friday offers six options for paying off the liability.



Leadership starts at the top

The problem for the current crop of politicians in Ottawa is that they have little moral authority to implement pension reform for government workers if they themselves are wallowing in a pension trough that would make a public sector union boss blush.

“Policies that support Canadians saving for – and taking responsibility for – their own retirement like RRSPs and TFSAs are important. But it’s also important that Canadians are not being asked to pay higher taxes to cover shortfalls in government pensions far richer than anything they could reasonably expect for themselves.”

As a result of the 2011 federal election, 113 defeated or retiring MPs will take home \$4.9 million in pension benefits in year one, and \$4.3 million in severance benefits. Assuming the parliamentarians or their spouses live to age 80, taxpayers will pick up the tab – one way or another – for \$111.5 million in pensions, just for this year’s crop of retirees.

The most famous beneficiary of the 2011 crop was defeated Bloc Quebecois leader Gilles Duceppe. Duceppe became eligible for a fully-indexed annual pension for life – courtesy of

all Canadian taxpayers – of \$140,765. If he lives to age 80: \$2.9 million and that doesn’t include his pension for 15 years as a hospital worker and union organizer.

The bottom line: for every dollar contributed by an MP to their pension plan, taxpayers contribute \$5.50.

Commendably, provincial lawmakers in Manitoba, Saskatchewan, Alberta and Ontario have all reformed their MLA/MPP pensions. The former NDP government in BC reformed MLA pensions to a dollar-for-dollar arrangement, until the successor Liberal government – incredibly – reinstated gold-plated pensions.

Clearly, pension reform can happen, but it must begin at the top by newly-elected MPs putting themselves in the Pooled Registered Pension Plan. It is the first step to providing all Canadian workers the opportunity for a flexible, secure, retirement savings account.

It’s our best hope for putting a lid on billions in unfunded pension costs governments have loaded on future taxpayers. ♦



Regina pension facing \$238M deficit

CBC News: April 1, 2011

The City of Regina is running a pension deficit of nearly a quarter of a billion dollars and to fix it could cost taxpayers a 3-per-cent property tax hike, officials say.

That’s the situation the city laid out to reporters at City Hall on Friday.

The city pension covers 4,000 employees in five groups, including city workers and employees with Regina public schools, the Regina Qu’Appelle Health Region, the Regina public library and the Buffalo Pound water treatment plant.

Currently, the pension fund is underfunded by \$238 million.

The city says the fund took a hit during the stock market decline a few years ago, but even though the markets recovered, the liability continues to grow.

PENSION PONZI

The following is an edited excerpt from *Pension Ponzi: How Public Sector Unions are Bankrupting Canada's Health Care, Education and Your Retirement* a new book released in October by Wiley & Sons Publishing. Authors Bill

Bill →



Tufts and Lee Fairbanks provide the most thorough look yet at a government spending system wildly out of control.

← *Lee*

Canadians are blissfully unaware that Canada's economic system is broken, defrauded by the most successful economic organization in history – public sector unions. The truth is, our politicians have been coerced by public sector unions into paying salary and benefit packages far beyond what our economy can support – and into guaranteeing to pay inflated pensions to those same workers after retirement. As the *National Post* said, these giant public pension funds are “wealth confiscated by government ... using money taxed from all their constituents.” And why wouldn't they? After all, every government employee – including elected politicians – will benefit from these pensions, at the expense of the vast ma-

jority of Canadians.

The 20% of the workforce that belongs to public sector unions – civil servants, teachers, firefighters, police officers, Armed Forces personnel, and all government workers, including politicians – have quietly negotiated the most lucrative compensation packages in history. And these will all be paid for with tax dollars – and massive government debt. Public sector salaries and benefits exceed those of private industry by 25-50%. More troubling is the fact that their guaranteed, indexed-to-inflation pensions are creating two classes of retirees.

Some call it Pension Envy, some call it Pension Apartheid, some call it Fraud. We call it a Pension Ponzi plan, an unsustain-

able scheme to funnel money from one group of Canadians to another under the pretense of providing services. Who will be the loser when it collapses, as all Ponzi schemes eventually do?

This book answers that question and offers solutions. Solutions that involve political will on the part of elected officials to bring public sector compensation and inflated pensions in line with the people who pay for it. ♦

Pension Ponzi: How Public Sector Unions are Bankrupting Canada's Health Care, Education and Your Retirement is now available in stores and online.



NOT JUST A CTF INTERNSHIP PROGRAM



Delroy Dyer (L) and National Research Director, Derek Fildebrandt make light of an overzealous police Debt Clock crackdown outside the Tory convention in Ottawa June 9th.

Each year the CTF partners with the Manning Centre for Building Democracy to give students a unique and fulfilling internship experience in the nation's capital. This past summer, the CTF hired two interns who served consecutively: Delroy Dyer from May to July and Julie Wu from July to September.

These university students – like CTF interns before them – were given hands-on experience in the taxpayer-advocacy movement. In addition to arming them with valuable skills that they can take back to their campuses and utilize in their future careers, the CTF is aided by the extra muscle of summer staff on research projects and communications activities.

Now in its third year, the CTF is pleased to report that former student interns have taken their experience forward. Amber Rudy heads communications for the Juvenile Diabetes Research Foundation, Lisa McDonald (nee Anthony) has been published on examiner.com and Michael Kennedy founded

the Dalhousie Liberty Society at – you guessed it – Dalhousie University in Halifax.

We hope the two students that joined us this past summer also take their experience forward.

Delroy Dyer

Delroy (who hails from the Caribbean island of St. Vincent) studies political sciences at Carleton University in Ottawa. His time with the CTF was focused on several high-octane media events. As past interns have done, Delroy helped plan and execute Gas Tax Honesty Day in May. Now in its 13th year, the event in Ottawa earned national media coverage.

Delroy helped in another event this past summer. But unlike Gas Tax Honesty Day, this event was truly one of a kind. With the newly elected Conservative government holding their party's national convention in Ottawa, we decided it was a good opportunity to keep their promise to balance the federal budget by 2014 without raising taxes at the top of their agenda. So, Delroy, along with National Research Director Derek Fildebrandt, brought the National Debt Clock

Applications

Students interested in an internship opportunity in the nation's capital can contact:

**National Communications Manager
Scott Hennig**

Canadian Taxpayers Federation
PO Box 38029 RPO Capilano
Edmonton, Alberta T6A 3Y6

Email: shennig@taxpayer.com

SUMMER JOB

AM PASSES YEAR THREE

to the Ottawa Convention Centre.

Unfortunately, certain party organizers did not take kindly to having a massive, spinning, red reminder of their government's over spending record at what was being billed as a "victory celebration" and subsequently called the police. A "slow-speed police chase" ensued, in which a large flat-bed truck followed the Debt Clock around downtown Ottawa for several hours, unsuccessfully attempting to load it up and carry it away. Delroy played a significant role in using video and social media to record the entire incident (which can be found on YouTube by searching 'Debt Clock + Police'). The social network postings led to national media coverage.

Julie Wu

Julie – who has called Ottawa home for 23 years – also studies political science at Carleton University where she is actively involved in the International Relations Society and model NATO.

"The CTF first came to my attention several years ago as it crusaded against government waste, bailouts and the long-gun registry; so when the opportunity came to do a summer internship I jumped at it."

While candidates for the program apply through the Manning Centre (which partners with various other organizations), Julie asked specifically to work for the CTF.

"The CTF's role as the voice of taxpayers through the big-spending solutions following the economic downturn made it something that I wanted to be a part of."

During her experience with the CTF, Julie was tasked with several research projects including: the growing salary and pension gap be-

tween public and private sector workers, Dalton McGuinty's health tax and Access to Information work. Beyond research, Julie worked with communications staff in the compilation of a media directory for the Ontario Debt Clock Tour (see page 44), and archiving petitions and media releases.

Asked about her experience with the CTF, Julie stated, "it has allowed me to be a part of affecting public policy outside of the partisan political sphere which dominates Ottawa. Working to expose and challenge questionable government spending is a rare, yet rewarding job in Ottawa."

The CTF and its student interns would like to thank the many donors who contributed to this program and the Manning Centre for Building Democracy for its shared support.

Since Julie's internship concluded in September, the CTF has retained her on a part-time basis to assist the Ottawa office with research tasks while she attends university. Her work will continue to contribute to CTF advocacy efforts into the fall sitting of Parliament. ♦



Julie Wu brought sharp organisational talent to the CTF's federal office



you the taxpayer

ASKED FOR IT...

Mike from Canmore, Alberta Asks: The “Occupy” protesters are complaining that the “rich” aren’t paying their “fair share” in taxes. What is the situation in Canada? What income group pays the largest share of income taxes?

Troy Lanigan and Derek Fildebrandt answer:

So, let’s start with defining who is “rich?” How about the top 10% of income earners? Those folks must rake in a bundle.

What kind of bacon would someone in that upper 10% category be bringing home a year? Any guesses? \$250,000, \$300,000, \$500,000 maybe?

Well, according to the most recent statistics from Canada Revenue Agency, if you earn \$80,000 or more, you are in the top 10% of income earners in the country.

Surprised?

How about the top 25% of income earners?

Well, that category begins at – wait for it – just over \$50,000.

Yes, if you bring home more than \$50,000 a year you are indeed among the top one-quarter of income earners in the country.

Are you feeling any richer?

Paying your “fair” share

It may come as an even greater surprise to learn that fully 81.5% of all income taxes paid

**Want your CTF to tackle a question?
Ask by e-mail at: research@taxpayer.**



are from taxpayers earning \$50,000 and above.

If we isolate just those wealthy in the top 10% – they pay fully 57% of all income taxes collected.

In other words: The top 10% of income earners pay 57% of the taxes; the top 26% pay 82% of the taxes.

Whatever elements might be lacking in the income tax system; progressivity is not one of them.

Fully 74% of income tax filers paid only 18.5% of the total income tax burden (many of these include part-time workers, seniors, students, etc.).

Progressively penalized

There's a balance between the belief that those who earn more should pay more and the disincentives and growth in underground economic activity inherent under punitive tax levels. The CTF has long advocated for a lower, simpler and flatter income tax structure.

The federal government (and every provincial government except Alberta) uses a multi-rate, *progressive* income tax system, which forces each of us to pay a higher percentage in tax as our income climbs.

Alberta's tax system, while still *progressive* thanks to the *Basic Personal Ex-*

“The top 10% of income earners pay 57% of the taxes; the top 26% pay 82% of the taxes.”



emption, employs a single rate tax, requiring that income over \$17,000 be taxed at a single, 10% rate. This ensures that as one's income increases their tax bill increases but that they are not overly-penalized for each additional dollar earned by

being bumped into a significantly higher rate.

Along with this, much could be done to lower rates for everyone by eliminating the myriad of exemptions, deductions, credits and benefits that are added each year to the *Income Tax Act*. When income taxes were introduced the Act was 11 pages, today the Act is 2,984 pages. Taxpayers pay thousands of people to process and enforce this madness not to mention the private industry that has emerged to guide citizens and businesses through it.

The truth is, the welfare state is too big and too expensive not to tax virtually everyone with a job. And perhaps therein lies the true definition of what it means to be “rich” in Canada: having a job. ♦

Federal & Provincial Income, taxes and tax returns by income group, 2009 tax year

Total income assessed (\$000s)	Total tax paid by this income group (\$000s) & %	Total returns filed by this income group, number & %	Total income declared by this income group (\$000s) & %
0 to 30k	\$5,811,926 3.9%	12,701,050 52.0%	\$175,131,648 17.7%
30k to 50k	\$20,972,165 14.5%	5,382,380 22.0%	\$211,106,112 21.2%
50k to 70k	\$24,448,378 16.8%	2,961,060 12.1%	\$174,564,458 17.6%
70k to 90k	\$21,237,049 14.6%	1,602,970 6.6%	\$126,524,903 12.7%
90k to 100k	\$7,879,676 5.4%	452,010 1.8%	\$42,769,871 4.3%
100k to 150k	\$21,335,217 14.7%	880,030 3.6%	\$104,438,151 10.5%
150k to 250k	\$14,847,379 12.2%	332,650 1.4%	\$61,760,727 6.2%
250k+	\$28,527,001 19.7%	173,570 0.7%	\$98,273,613 9.9%
Total	\$145,058,790	24,485,700	\$994,569,482

Source: Canada Revenue Agency, Income Statistics 2011 - 2009 Tax Year, Interim Statistics; calculations by The Fraser Institute.

HST Offers Hard Lessons



The people have spoken and scrapped the Harmonized Sales Tax (HST). After two years of bitter debate, British Columbians voted 55% to dump the HST and go back to the comfortable familiarity of the GST and Provincial Sales Tax. The referendum result, while a triumph for direct democracy, has left the B.C. Liberal government scrambling to make up almost \$3 billion in lost revenue and transfer payments.

Your CTF is clear on what should happen next: the B.C. government must improve the collection of the 62-year-old PST, making it easier for small businesses to file their returns. The province could outsource PST collection to the federal government, paying Ottawa to operate that system. This would relieve Victoria of

having to hire back hundreds of people to collect the PST, while still giving the public what it voted for—the old PST with its numerous exemptions.

The B.C. government needs to aggressively cut spending and get back to balanced budgets to give a clear signal to investors and job creators that B.C. is still an excellent place to build their companies.

Here are four lessons every government can learn from the B.C.'s HST



Jordan Bateman
B.C. Director

fiasco:

1. Ask permission, not forgiveness

British Columbians were outraged when Premier Gordon Campbell unilaterally announced the introduction of the HST, less than

ten weeks after being re-elected in 2009. The HST was never mentioned during that campaign, but Campbell did promise *not* to introduce it in a couple of industry questionnaires. This broken promise angered those industries and the public responded with disgust. The government arrogantly thought they could get away with this tax the same way they did the carbon tax ... not so.

2. An individual is their own best economist

The HST was supported by

BC Ferries' Million Dollar Man Not Done Yet

Taxpayers were popping open the bubbly with news that BC Ferries CEO David Hahn, the first public sector employee to get a million dollar annual salary in B.C. history, will quit at the end of the year.

Hahn took BC Ferries from a \$49.9 million profit in 2006 to a projected \$20 million deficit this year. His philosophy of making the ferries a boutique tourism attraction – instead of the people and goods movers they should be – alienated British Columbians. He slashed sailings, wasted part of taxpayers' \$106 million annual subsidy on advertising at Rogers Arena and ratcheted up wages and benefits for his executives to unbelievable levels.

Now he's out of work. Don't worry about Hahn, though: he has his \$314,680 taxpayer-funded annual pension waiting for him. Pass the seasickness bag, please. ♦



British Columbia

virtually every economist in B.C. But, as is often the case, voters are their own best economist. After a year of the HST, every voter made a personal assessment and cast a ballot based on what they perceived best for them and their household.

3. Tax reform and tax hikes have become clouded

Every time citizens turn around, there seems to be another government hand in their pocket, taking more taxes, user fees, utility increases and ratepayer hikes. Taxpayers have had enough with funding governments' seemingly insatiable appetite. The HST was more a tax reform than a tax hike (especially when the combined rate would be reduced). But taxpayers don't trust government math. And frankly, who can blame them?

“The referendum result, while a triumph for direct democracy, has left the B.C. Liberal government scrambling to make up almost \$3 billion in lost revenue and transfer payments.”

4. Be honest and upfront

The HST was introduced by Premier Campbell as being “revenue neutral,” but the facts proved otherwise: with far fewer exemptions than the PST, the HST added \$820 million to provincial coffers every year. Despite an income tax cut and rebates for seniors and low-income families, the HST still took more money out of taxpayers' pockets than the PST. It was only when the government promised, very late in the process, that the tax would be cut to 10% that taxpayers came out ahead. By then, few believed them. ♦

Millions of Tax Dollars Sent Up in Smoke

Despite continued criticism from your Canadian Taxpayers Federation, independent MLA Bob Simpson, the media and even some prominent environmentalists, both the B.C. Liberal government and NDP Opposition seem bent on trying to save the useless Pacific Carbon Trust (PCT). The PCT specializes in doling out corporate welfare and greenwashing.

The PCT collects almost \$20 million tax dollars a year from various B.C. Government agencies under the guise of “carbon neutrality.” The Trust takes that money and spends it on flimsy carbon reduction projects with companies like Encana, Interfor, Intrawest, Canfor, the Whistler Pan Pacific Mountainside and the Whistler Westin.

But instead of joining your CTF and others in demanding the PCT be scrapped, the NDP are going along with the government line, claiming it can be “fixed.”

The PCT can't be fixed because it's founded on a faulty premise. Carbon credit schemes have been widely disregarded as they do nothing to actually reduce emissions.

B.C. Environment Minister Terry Lake has promised a review of the PCT. Lake should save taxpayers the time and money and scrap the whole thing. We'd file a complaint with the auditor general, but then that office would be on the hook to buy credits to cover the carbon dioxide we generated.

For more on the PCT and how it's wasting your tax dollars, visit taxpayer.com/blog.



MEET YOUR NEW PREMIER!

Alison Redford

During the recent PC leadership race, the CTF quizzed candidates on where they stood on ten key issues of balanced budgets, savings, taxes, spending and accountability. These questions were picked based on a survey of CTF supporters across the province. All of candidates for premier responded including, Alberta's new Premier Alison Redford. What did Premier Redford have to say?



by Scott Hennig
VP Communications

1 As premier will you balance the budget by 2013-14 by cutting spending and without raising taxes? Further, once the budget is balanced, will you re-introduce mandatory balanced budget legislation (with the exception of emergencies)?

Redford: Yes I intend to balance the budget by 2013-14 without raising taxes. However, I do not intend to pass a bill mandating balanced budgets. While this kind of legislation looks attractive, future governments can easily undo it so it offers no real guarantee of future fiscal restraint. I believe it's far more important to commit to a philosophy of balanced budgets and set an example for future governments, rather than trying to set their agendas.

2 As premier, once the budget is balanced, will you commit to legislating a minimum of amount of resource revenues be saved in the Heritage (or a new long-term endowment) Fund each year? If so, what amount?

Redford: Yes. Saving resource revenues is crucial for Alberta's long-term financial health. I have proposed using only the first \$6 billion in annual resource revenue to cover government operating costs with the remaining resource revenues to be split between the Sustainability Fund and the Alberta Heritage Trust Fund.

3 As premier will you replace the current defined-benefit pension plan with a new, defined-contribution pension plan for all new government employees?



Premier of Alberta Alison Redford/Flickr/PremierofAlberta

Redford: I intend to keep the current defined-benefit pension plan. Renewing the public service by attracting the best and brightest is very important to me and I think that continuing to offer a defined-benefit plan is a necessary corollary to that goal. Compensation comes in many forms and moving away from the current defined-benefit pension plan will result in higher salary and benefit expectations.

5 As premier will you commit NOT to provide provincial government funding for new professional NHL arenas/entertainment complexes in Edmonton and Calgary?

Redford: I am opposed to the provincial government funding new professional NHL arenas/entertainment complexes in Edmonton and Calgary. Taxpayer dollars are valuable and must be spent on priorities. Our province faces many in-

frastructure pressures and I believe Albertans have higher priorities than new arenas.

6 As premier will you reverse the 2008 MLA and cabinet pay hikes and create a truly-independent, citizens' panel to review and make recommendations on MLA compensation? Further, do you believe MLA pay should be fully-taxable and transparent?

Redford: Yes. Keeping MLA compensation reasonable and determining the exact level through a transparent and accountable process is overdue. The salaries of Alberta's elected representatives should be treated no differently from voters' salaries. Within the first 90 days of being elected, I will appoint an independent commission to set MLA pay. The commission will propose a comprehensive pay package that will be accepted by my government. Once in place, fu-

ture increases will be indexed to inflation to avoid additional political interference.

8 As premier, will you require all MLA and ministerial expenses (including receipts) be itemized and posted online (as has been done in the City of Toronto)?

Redford: Yes. Greater transparency in government is needed and Albertans have the right to know how MLAs are spending their tax dollars.

9 As premier will you introduce legislation giving citizens the right to recall their MLA?

Redford: I will not introduce recall legislation but I will set regular, fixed election dates.

You can read Premier Alison Redford's full responses to all ten CTF questions, as well as the responses from some of her key cabinet ministers in "A Fiscally Conservative Premier?" on Taxpayer.com. ♦

MEET YOUR NEW OPPOSITION LEADER!

Raj Sherman

During the recent Alberta Liberal leadership race, the CTF quizzed candidates on where they stood on ten key issues of balanced budgets, savings, taxes, spending and accountability. These questions were picked based on a survey of CTF supporters across the province. Three of the five candidates for leader responded, including Alberta's leader of the opposition, Raj Sherman. What did Mr. Sherman have to say?

4 As leader of the opposition will you show support for federal Senate reform by running Liberal candidates in any upcoming provincial senate nomination vote?

Sherman: Yes. I believe in a triple-E Senate and it disappoints me that we've had the largest number of Senate appointments by our own Prime Minister, who promised to make the Senate elected.

9 As leader of the opposition will you introduce private members' legislation that would give citizens the right to recall their MLA?

Sherman: I've already brought it up in a motion and I am hoping to introduce it as a bill in the next session of the legislature.

You can read Raj Sherman's full responses to all ten CTF questions, as well as the responses from

some of his caucus colleagues in "A Taxpayer-Friendly Opposition Leader?" on Taxpayer.com. ♦



Opposition Leader Raj Sherman: Flickr/daive.coumoyer

VIDEO GAME DRAMA



Insinuations of racism, editorials blasting the government for responding too quickly ... wow! You'd think something major was unfolding but alas, we're talking about our efforts to convince the government to stop spending public funds on video games for inmates in provincial youth jails.

You see, the CTF discovered that video games were being purchased for inmates to play in Manitoba jails. So we then filed a freedom of information (FOI) request to find out if the Saskatchewan government was buying games as well.

Well, low and behold, responses from the government showed that over the past few years the department of Corrections, Public Safety and Policing had spent over \$1,600 on video games for youth inmates. In addition to that, inmates themselves spent almost \$1,000 on games. Go figure, the average game purchased by inmates was cheaper than the average one purchased by the government – but that's another story.

Few would have a problem with inmates having access to books, playing cards and other simple pleasures – after a day of learning new skills, counselling, or modest work – but high end video games is certainly a tough pill to swallow.



by **Colin Craig**
Prairie Director

The good news is that we brought the matter to the attention of the premier's office and they acted on the issue – committing to not spend public funds on video games in jails in the future. In fact, from the time we brought it to their attention to the time that they committed to not spend public funds on such games in the future took about six hours.

Kudos to their office for realizing that buying video games for law breakers is a slap in the face to law abiding families that can't afford the same pleasures.

While many agreed with our position, others

Sample of editorial & online comments

Want to join the conversation?

"At issue is the government's decision to halt the massive \$400 a year it spends on video games at youth detention centres - a decision the government spent all of six hours thinking through after being alerted by the Canadian Taxpayers' Federation (CTF) of that "jail houses are where people should pay their debt to society". (A whole \$400 saving? My, what a great day's work for the CTF!)"

– Murray Mandryk, Leader Post

cried foul and criticized the CTF and government for 'picking on criminals.'

One writer for the *Prairie Dog* magazine tried to suggest that race was somehow a factor; noting that youth jails have a high number of "brown faces." The same individual even tried to suggest the CTF is in favour of book burning. Good grief.

However, while the government won't be spending public funds on the games in the future, the game systems are still in the jails for inmates to use. Thus, those that are really concerned about inmates having access to the best and most current games can purchase the games themselves and donate them. ❖

FSIN Mess

Hear about the reported \$250,000-\$600,000 severance package offered to former Federation of Saskatchewan Indian Nations (FSIN) Chief Guy Lonechild? It's quite the story.

The chief recently resigned after the FSIN board pressured him to step down. They learned Lonechild was arrested for driving under the influence back in 2009, but didn't report it to them when he ran for office.

Decide what you will about Lonechild's personal problems, but one has to ask why on earth any public funds are being used for someone who resigns?

Premier Wall zeroed in on Lonechild's sever-

“Decide what you will about Lonechild's personal problems, but one has to ask why on earth any public funds are being used for someone who resigns?”



ance and raised concerns about provincial funds being used for such a large buyout. You see, according to the CBC, the FSIN re-

ceived approximately \$1 million from the provincial government in 2010-11.

The FSIN has claimed the buyout won't be paid with provincial funds. But that of course leads one to ask – where will the money come from then?

The same CBC story noted the FSIN received roughly \$12.5 million from the federal government last year. Even if federal funds are somehow not used (not that it matters to the average taxpayer if it's federal or provincial funds – it's still taxpayer money) the funds will then come from reserves themselves – still public money, just produced by banks locally.

Just as municipal, provincial and federal politicians' pay and benefits are transparent, so should the details of this payout.

This is yet another example of why the CTF's push for transparency for reserve politicians' compensation is so important. ❖

surrounding video games in youth jails

E-mail letters@taxpayer.com

“Sorry but I totally disagree that the youth should have any video games - they are there for crimes they have done - some of them for such things as breaking into homes and stealing and then selling other peoples video game machines and games - then they go to the youth centre and get to play games while the people whose lives they have disrupted are the ones punished...”

- Anonymous comment on Leader Post's web site



MANITOBA

Daunting Debt Clock Tour

As Premier Greg Selinger did the ceremonial walk to the Lieutenant Governor's residence to call a provincial election for October 4th, your CTF was there to try and set the tone early for the campaign... and we brought a friend.

Greeting the premier was our giant Debt Clock – remember the one we took across Canada to raise awareness about the federal government's debt? Well, we reprogrammed it with Manitoba's debt figure and slapped a big decal on the trailer that read "Manitoba's Provincial Debt."

As part of our "No Money for New Spending tour," we took the clock to a number of communities around the province to raise awareness about the government's unsustainable financial position – net debt rising by about \$50 per second or roughly \$4.3 million per day. Sadly, that number doesn't even include Hydro debt.

Tour stops included Brandon, Portage la Prairie, Steinbach, Carman, Morden, Winkler, Pilot Mound, Ste. Anne and Ile Des Chenes.

Unfortunately, we weren't able to hit as many

Premier Greg Selinger walks past the Debt Clock on his way to calling the election

“We even popped in on spending announcements by Greg Selinger and PC leader Hugh McFadyen to remind them that there literally is ‘no money for new spending.’”

communities as we would have liked, but we were pleased with the great media coverage generated by our tour – *CTV News*, *Global News*, *CBC TV/Radio*, the *Winnipeg Free Press*, *Brandon Sun* and *Portage Daily Graphic* to name a few.

We even popped in on spending announcements by Greg Selinger and PC leader Hugh

McFadyen to remind them that there literally is ‘no money for new spending.’

While each party went ahead and promised millions in new spending (go figure), we did appear to win the media over as both the *Winnipeg Free Press* and the *Winnipeg Sun*



The Debt Clock pops into Portage la Prairie



Elimination of deficit is paramount

THE appropriate outcome in Tuesday's election would be a minority government.

Both the governing New Democratic Party and the opposition Conservatives have conducted shallow, pandering campaigns that bordered on contempt for the public's intelligence and integrity. Each flooded the market with scores of micro-promises that added up to hundreds of millions of dollars in new spending, but amounted to very little in terms of vision.

Each party claimed it was committed to health care, but neither offered a solution to the rising demands and costs of the province's health system, which consumes more than 40 per cent of the provincial budget. They claimed to support Manitoba Hydro, but no one dared talk about how it might be adapted or improved for the benefit of all Manitobans. The parties declared war on crime, but they could not explain why Winnipeg needs to be the most policed city, by far, in Canada, particularly when other needs, notably infrastructure, are suffering.

Three things divide the parties. First, the NDP's Second, different eliminated – 2018, but this



"When voters are asked about their concerns, they usually say crime, health care and roads. Deficits are way down the ladder, but they shouldn't be. The lack of voter interest is one reason why all three parties believe they can promise new spending programs, and little in the way of restraint, with minimal political fallout. Taxpayers should remind them the clock is ticking." –

Editorial
Winnipeg Free Press
September 7, 2011

In fact, the *Free Press* later cited the deficit as the top issue for the NDP to get a handle on over the next four years.

Rest assured it is an issue the CTF will remain vigilant about. With the Official Opposition focused on searching for a new leader the CTF's role as a watchdog and advocate for taxpayers will be more important than ever. ♦

Bipole

A big thanks to donor who made possible two billboards and a video on the important issue of Bipole III. The video was a great success, receiving over 5,700 views on YouTube.

The CTF is active in the Bipole III Coalition – a group of retired Hydro executives, former engineering professors and concerned ratepayers speaking out against a longer and more costly hydro line being built down the province's west side. Given the results of the 2011 election it's doubtful we'll convince the provincial government to change direction. The Coalition however is continuing to explore options and speak out on the issue. ♦

called the PCs and NDP out on the carpet for promising new spending that we can't afford. The *Free Press* covered the debt clock in three separate stories, including this gem from their editorial board (on the CTF debt clock and the province's debt):

Voting Reform

One of the more interesting policy proposals during the election (although it received next to no attention), came from Liberal Leader Jon Gerrard who suggested Manitoba move to a Single Transferable Vote (STV) system to elect provincial legislators.

The STV model allows voters to rank candidate preferences, not only between different parties, but between different candidates within each party. It provides maximum choice for voters and ensures that popular vote is more in keeping with seat distribution.

Given his party's political fortunes, it is obvious why Dr. Gerrard made such a proposal. The outcome on October 4th makes the point: 46% of voters earn 65% of seats and 100% of the power.



by Colin Craig
Prairie Director

Party	Popular Vote %	Seats & %
NDP	46.0%	37 (65%)
PC	43.9%	19 (33%)
Liberal	7.5%	1 (2%)
Green	2.5%	0 (0%)
Other	0.1%	0 (0%)

What's wrong with this picture? Accountability should require a majority of citizens having a say in who governs them. This is part of the reason only 57% of eligible voters bother to cast a ballot: voters understand most votes on Election Day are wasted. Efforts to change the voting system with referendums in BC, Ontario and PEI – all supported by the CTF – have unfortunately come up short. ♦

Ontario

Follow the missing MILLION

To understand Tim Hudak's chilling plunge, from double-dig-it front-runner to the big loser in the Ontario election, just talk to the missing million voters.

While everyone was bemoaning the abysmal voter turnout – only 4.1 million Ontarians cast a ballot, about 48% – nobody seemed to notice who the malingering electors actually were.

It's not rocket science. Ontario's provincial elections are waged along the same battle lines as federal elections, with identical electoral district boundaries. The same Ontario that sent 77 Conservatives to Parliament in May, compared to just 11 Liberals, returned 57 Liberals to Queen's Park and only 37 Progressive Conservatives.

Dalton McGuinty cruised to a third term in office with just over 1.5 million votes, improving on Michael Ignatieff's disastrous performance in the spring by about 150,000 ballots.

But Tim Hudak fell short of Stephen Harper's vote total by nearly a million votes, losing the popular vote to McGuinty by 90,000 ballots.

A million Conservative voters stayed home.

It didn't matter if it was the Tory heartland of eastern Ontario, where firebrand Randy Hillier polled roughly 22,000 votes, compared to nearly 38,000 for MP Scott Reid last May. Or



Gregory Thomas
Ontario Director

downtown Kitchener, where Liberal universities minister John Malloy edged the PC by 300 votes, hanging on to a seat the federal PCs by 6,000. Even in the Danforth, Jack Layton's old stomping ground, the Conservatives collected fewer than 3,500 votes compared with 6,885 for Katarina von Koenig, the sacrificial Tory lamb who challenged Mr. Layton this past May.

It's not hard to see why. In comparison to Hudak, Harper campaigned as a veritable fiscal hawk in the spring, vowing to balance the budget by 2014, a year sooner than previously promised. Hudak, in contrast, previously campaigned as 'McGuinty Lite,' vowing to continue spending record levels on health care and education, preserve McGuinty's costly all-day kindergarten initiative and run deficits for the next seven years.

Hudak's fiscal plan called for a balanced budget by 2018, a full ten years after the 2008 financial meltdown. Not only would Hudak run deficits through his entire term of office, he planned to run deficits through half of his second mandate as well.

Running deficits in Ontario is easy, with the McGuinty government paying some of the high-

“But Tim Hudak fell short of Stephen Harper's vote total by nearly a million votes, losing the popular vote to McGuinty by 90,000 ballots. A million Conservative voters stayed home.”



public sector wages, benefits and pensions in the country. Experienced teachers in Toronto have seen their pay packets jump 15.4% since 2007, to \$94,968. Throw in EI, CPP, teacher's pension, workplace safety premiums and you're looking at \$110,000 before we even get into extended medical, dental, laser eye surgery and wellness counselling. It's destabilizing the rest of the country: many other Canadian provinces pay at least \$10,000 a year less and their teachers are hounding them to play catch-up.

It's the same story with police officers, fire fighters and health care workers. Last year, with record revenue of \$106 billion, Ontario ran a deficit of \$14 billion. With additional borrowings, McGuinty added \$24.5 billion to the provincial debt.

This year, interest costs alone on that debt have risen over a billion dollars. They're forecast to rise another billion next year and yet another in 2013.

Hudak's failure to tackle the real issue in the campaign cost him the election.

In August, the CTF toured our Ontario Provincial Debt Clock around the province. We invited PC leader Tim Hudak (as well as NDP leader Andrea Horwath) to join us, to stand in the front of the clock and draw attention to the fiscal disaster facing the province: total debt surpassing \$250 billion – \$18,000 for every man, woman and child in Ontario. He wouldn't be the first leader to have their picture taken with this chilling visual symbol of the debt crisis. It would have also been a prime opportunity to for him to commit to a fiscally conservative plan to balance the budget and turn Ontario back into a 'have' province.

Mr. Hudak turned his back on the Debt Clock and a million voters turned their back on him. ♦

Green energy jobs come with hefty price tag

One big winner in the Ontario provincial election was Samsung – Ontario Premier Dalton McGuinty had negotiated a \$7 billion deal to buy solar and wind power from the Korean industrial giant.

Conservative leader Tim Hudak had vowed to scrap the Samsung deal.

McGuinty's win paves the way for the 20-year agreement to go ahead. Hydro customers will pick up the tab for the wind power at 13.5 cents a kilowatt hour and solar power at 44.3 cents a kilowatt hour – a big premium over the going market rate of 3.31 cents.

In addition to paying top dollar for the renewable energy, the Ontario government will also shell out \$110 million to subsidize 900 manufacturing jobs at four new plants.

McGuinty says his Green Energy Plan will create 50,000 new jobs in the green energy sector.

A study by University of Guelph professor Glenn Fox and retired banker Parker Gallant pegs the cost of these new jobs at \$200,000 each. The Ontario energy ministry expects hydro rates to shoot up 46% by 2015 to pay for the plan. But Professor Fox and his co-author expect a 64% increase by 2015, with the average homeowner's bill rising from \$1,700 to \$2,800, then shooting to \$4,000 by 2018, as Samsung and other renewable energy providers tally up all the green in those long-term contracts. ♦

“Hydro customers will pick up the tab for the wind power at 13.5 cents a kilowatt hour, and solar power at 44.3 cents a kilowatt hour, a big premium over the going market rate of 3.31 cents.”

New Brunswick's HIGH FLYING

New Brunswick's politicians are all too often avoiding the bumpy highway system in favour of flying on the provincially owned private airplane. **Politicians** cians? Especially since the distances are so short.

Other provinces manage fine without having access to a government airplane. Nova Scotia, for example, has similar driving distances to New Brunswick. They sold their plane in the 1990s – it was re-fitted to be used as an air ambulance service to assist people in urgent need of medical care. Provinces like British Columbia that are much larger than New Brunswick don't have an expensive aircraft either.

According to a report in the *New Brunswick Telegraph-Journal* the Conservative government used the twin-engine plane on 71 of their first 160 days in office, for an average of almost three days each week. The price tag for operating the plane totalled \$810,212 in the first six months of the government. The previous government purchased the plane in 2008 at a cost of \$5 million; the cost to fly the plane is about \$1,500 per hour.

The report goes on to show that the minister who took the most flights was Health Minister Madeleine Dube. She took 39 flights mostly from the capital in Fredericton to her riding in Edmundston. The flight takes about 30 minutes but it's also only a 220 km drive (about two hours). She saved only about 90 minutes (not including transportation to the Fredericton airport and to her office downtown, which is another 15 minutes or so each way).

But the question really is, does a province like New Brunswick with only about 750,000 people really need a private plane for its politi-

“Does a province like New Brunswick with only about 750,000 people really need a private plane for its politicians? Especially since the distances are so small.”



after Government asks for public input into major project decision has been made

Well only in government could you make a decision and then consult the public about it.

That's exactly what the Nova Scotia government's crown corporation Trade Centre Limited did when they spent \$23,000 to conduct a public opinion poll on the new \$159 million dollar Halifax Convention Centre just a few days before they announced that all the funding had been arranged.

A spokesperson for Trade Centre Limited says the poll was commissioned to find out where people get their information and also who would be best to communicate those messages. Also, they wanted to look at what's important to Nova Scotians and how the project fits with their priorities.

Questions in the poll included giving respondents the names of a few politicians and business leaders to gauge their level of "trust" in each one.

But this all has more to do with public relations than a sincere effort at public consultation.

The fact is, public opinion has started to shift against the project and the politicians and the crown corporation are trying to stop the slide.

Now after the pro-

ject has been approved, any research is bound to show growing support for the project – after all what's the point of being against something that you know your going to get stuck with anyway. ♦



by **Kevin Lacey**
Atlantic Director



“They spent \$23,000 to conduct a public opinion poll on the new \$159 million dollar Halifax Convention Centre just a few days before they announced that all the funding had been arranged.”

First of five politicians charged in expense scandal pleads guilty

Dave Wilson, the former MLA for Glace Bay, Nova Scotia pleaded guilty to charges of fraud at his court hearing in Sydney. The charges were the result of an investigation into MLA abuse of expenses that was initially examined by the Nova Scotia auditor general.

The details of the plea agreement will not be known until Mr. Wilson's sentencing sometime in January.

The other four accused MLAs are still facing charges. Justice in this case calls for two consequences.

First, if convicted, the Crown should seek restitution of all monies taken without authority. The public should not be treated differently from private victims of theft.

Second, any politician who is convicted of an offence related to their position as a provincial politician should be exempt from collecting a taxpayer-funded pension.

Dave Wilson is set to collect an indexed pension of a little over \$40,000 a year for the rest of his life, paid for mostly by taxpayers.

It's time to restore Nova Scotians' faith in their political system – these are just two steps in the right direction. ♦

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The Globe and Mail*

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